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# Investing in Pennsylvania's Families: *Economic Opportunity for All*

A POLICY AGENDA TO HELP PENNSYLVANIA'S WORKING FAMILIES SUCCEED

JANUARY 2007

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The Working Poor Families Project, a national initiative, collaborates with existing state nonprofit organizations to identify and strengthen state policies that assist working families in achieving labor market success. To learn more about the Working Poor Families Project and to read reports from other states, please visit <http://www.aecf.org/initiatives/fes/workingpoor>.

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The authors would like to thank the members of the Working Poor Families Project Advisory Board, who read through many versions of this report and offered helpful guidance.

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# Executive Summary:

## Investing in Pennsylvania's Families



### CHAPTER 1 Investing in Pennsylvania's Working Families



### CHAPTER 2 New Skills for a New Economy



### CHAPTER 3 An Economy for One Pennsylvania



### CHAPTER 4 Making Self-Sufficiency Real in the New Economy

The United States today faces a basic challenge. By measures such as productivity growth and profits, the economy has in recent years performed better than in decades. By the measures that matter most to working families—wages and incomes, benefits and poverty levels—many families have been left behind by economic growth. In Pennsylvania, as in the nation, many Pennsylvania families that work hard and play by the rules still do not earn enough to support their family.

**Pennsylvania has begun to take action on the needs of low-income families.** With strong, bipartisan support from all areas of the Commonwealth, it has raised its state minimum wage and implemented new workforce policies that could give more workers career pathways to self-sufficiency. But there is more work to be done.

**Pennsylvania is well positioned to create a new era of growth that delivers opportunity and security for all.** By implementing the recommendations in this report, Pennsylvania can give low- and middle-income working families access to job advancement, training and adult education, good pay and benefits, affordable, high-quality health care and child care—in short, to a better life.

**By seizing this opportunity, Pennsylvania can reclaim its proud heritage as one of America's most equitable states,** with a broad middle class, low rates of poverty, and a powerful commitment to family and community. Indeed, Pennsylvania can become a model for the nation.

### A PORTRAIT OF LOW-INCOME WORKING FAMILIES IN PENNSYLVANIA

*Today, Pennsylvania is home to nearly a third of a million low-income working families with children.* Families are considered low-income when their income falls below 200 percent of the federal poverty line, a rough approximation of the income needed to pay for a family's basic needs without public assistance.

- ▶ One quarter (25 percent) of all Pennsylvania working families with children are low income.
- ▶ Nearly 1.4 million Pennsylvanians, half of them children, are members of these low-income working families.

*Families left behind in Pennsylvania's new economy live in every region and fall within every major race and ethnic group in the state.*

- ▶ 44 percent of all minority working families are low-income, compared to 20 percent of all white working families in the Commonwealth.
- ▶ The share of working families with low-incomes is highest in rural regions of the state along with the city of Philadelphia. However, low incomes affect the lives of Pennsylvanians throughout the Commonwealth.
- ▶ Overall, 28 percent of families in rural Pennsylvania are among the working poor, versus 22 percent in urban Pennsylvania.

*Low educational attainment is part of the challenge faced by Pennsylvania's working families, and improving their education is part of the solution.*

- ▶ Pennsylvania has a low share of workers with more than a high school degree. Only two out of five low-income working families in Pennsylvania have a parent with any post-secondary experience, ranking Pennsylvania 47th out of 50 states.
- ▶ Only Louisiana, Texas, California, West Virginia, and the District of Columbia have a lower percentage of working families with post-secondary experience.
- ▶ Only 6.8 percent of adults without a high school education or GED are currently enrolled in Adult Education programs.
- ▶ Pennsylvania also has very low shares of adults participating in postsecondary education and training.

*Low pay and low incomes are also widespread among many working families in which adults have a high-school degree—or more.* Thus, Pennsylvania also needs to combine education and training policies with policies that directly raise wages and benefits among low-wage workers.

- ▶ Workers in families left behind concentrate in a small number of occupations in low-wage industries, including retail sales workers; wait staff, cooks, and dishwashers in fast food and restaurants; direct care workers; janitorial and cleaning occupations; and clerical and administrative workers.
- ▶ Today many workers who start at low wages remain there. For example, of Pennsylvania workers earning below 200 percent of the poverty level in 1998, two-thirds of those still working in Pennsylvania continued to earn below 200 percent of poverty in 2004.

## **LIFTING WORKING FAMILIES TO SELF-SUFFICIENCY**

The policy recommendations in this report make up three legs of a stool, each one of which is essential to boost economic security from Erie to Philadelphia, Greene County to Monroe County. These policies attack the root causes of large numbers of working families having low incomes. (Note: policies aimed specifically at helping low-income youth, while extremely important and complementary to the policies outlined here, are outside the scope this report.)

**Give All Working Adults the Skills, Credentials, and Career Supports to Advance to Self-Sufficiency.** In the old economy, less educated workers could often take a job on the bottom rung of a company job ladder, learn skills and organizational routines specific to that business, and work their way up. Today, many entry-level jobs do not connect to any job ladder, while companies often recruit higher-level workers from the outside job market but struggle to find qualified applicants. Pennsylvania's new "Job Ready PA" workforce strategy (see chapter two) seeks to rebuild training systems and career ladders within and across companies, helping businesses get the skilled workers they need while enabling more workers to advance. To build on this strategy, Pennsylvania needs to enact Job Ready II, with three key components.

- ▶ Make permanent the new industry training partnerships that promote skill development and the improvement of jobs and productivity in key industries.
- ▶ Give all Pennsylvanians access to two years of post-secondary education and training.
- ▶ Fund industry partnerships explicitly to promote career advancement for low-income workers and link adult literacy and welfare programs with the state's career building strategy.



## Executive Summary continued...

**Invest in “Worker Ready” Economic Development That Creates Good Jobs and Strong Industries Accessible to Low-income Working Families.** Traditional economic development policy emphasizes subsidies and tax breaks to recruit individual businesses to Pennsylvania. With regions across the globe now bidding to attract businesses, states risk giving away more to get a company than they receive in good jobs, tax revenue, and other community benefits. In response, Pennsylvania has experimented with new economic development approaches to create jobs in homegrown businesses and strengthen key industries. Pennsylvania should now link these new tactics into a comprehensive “Worker and Community Ready” economic development approach. By generating more jobs that workers want, this would complement a “Job Ready” workforce strategy that develops skills that companies want.

- ▶ Implement business subsidy accountability that requires that companies receiving state subsidies pay decently, locate in places accessible to low-income communities, and disclose basic information regarding the jobs they create.
- ▶ Assess and develop plans to improve job quality in low-wage industries that receive economic development resources, including agriculture and tourism.

**Improve the Wages, Benefits, and After-Tax Incomes of Low-Income Working Families.** The third leg of the stool necessary to lift up low-income working families would directly address the wages and benefits accessible to workers in these families. It would raise wages and benefits in private sector jobs while also bolstering work supports so that more families can meet their basic needs.

- ▶ Index the Pennsylvania minimum wage to the cost of living so that low-wage workers enjoy the same pay packet protection from inflation as state legislators.
- ▶ Establish a Task Force on the Pay of Working Families to explore the full range of public policies, from occupation-specific wage standards to innovative forms of worker voice, which could restore the broken link between productivity and wages.

- ▶ Ensure access to affordable child care and health care for all low-income working families.
- ▶ Transform Pennsylvania’s unemployment insurance system into an employment and income insurance system—a trampoline that would launch workers back into family sustaining careers instead of a frayed safety net that inadequately cushions job loss.
- ▶ Create a minimum standard for paid sick leave and paid family and medical leave for Pennsylvania’s workers.
- ▶ Make Pennsylvania’s state tax system less regressive through a state earned income tax credit and a modification to the Pennsylvania constitution that permits shifting income taxes towards those with greater ability to pay.

## BACK TO BROADLY SHARED PROSPERITY

This report challenges the misconception that social equity and economic progress are at odds. It shows that **we can do right by low-income families at the same time as we strengthen our economy. In this spirit, the recommendations above are designed—and deliberately so—to work with, not against, Pennsylvania businesses.** These recommendations include a few simple constraints, such as a higher minimum wage and the use of wage standards for business subsidies, to discourage companies from competing only through keeping wages and benefits low. Implementing the recommendations would also help grow businesses committed to innovation, high quality service, and rising productivity.

**This report also calls on Pennsylvania to invest in the future.** Neglecting our less advantaged families and their children is a deceptive savings, a time bomb of social deficits destined to become budget deficits in a generation.

Three years ago the Brookings Institution report, *Back to Prosperity*, focused on Pennsylvania’s economic decline and reinforced, for some, a sense of gloom about the future. This report takes a more optimistic view, highlighting Pennsylvania’s history and values as key assets in confronting the anomaly of robust growth that leaves out many working families. **Drawing on these assets, Pennsylvania has a chance to help bring back the American Dream for its low-income working families and to stamp on a rejuvenated middle class, “Made in Pennsylvania.”**



## CHAPTER 1

# Investing in Pennsylvania's Working Families

**P**ennsylvania has several key assets when it comes to implementing policies that will achieve economic security and opportunity for all hard-working families in the new economic and labor market conditions of the 21<sup>st</sup> century.

**Values** – Pennsylvanians believe in hard work and they believe that hard work should be rewarded as a foundation for strong families and communities.

**History** – Pennsylvania has a history of translating these values into economic reality. From the 1940s to the 1970s, Pennsylvania had one of the nation's most equitable economies.

**Hardship** – The economic struggles of working families cut across the entire state. They concentrate most in rural areas and cities, and are made up of both Democrats and Republicans. Thus, an agenda for working families should have universal as well as bipartisan appeal.

**Innovations** – Recent institutional and policy innovations in Pennsylvania, including in workforce education and training, provide a foundation for a more comprehensive effort.

The use of these assets, particularly the recent institutional and policy innovations, demonstrate that Pennsylvania has

already begun, in new conditions and a new economy, to translate its values and culture into broadly shared prosperity.

### PENNSYLVANIA: A HISTORY OF INDUSTRIAL AND SOCIAL ADVANCES

Pennsylvania's contributions to innovation in America go as far back as the age of Franklin. Philadelphia was the "workshop of the world," renowned for its quality workmanship in industries as diverse as steel and textiles, shipbuilding and machine tools, food processing and brewing. By the end of the 19<sup>th</sup> century, Pennsylvania was at the center of the development of mass manufacturing. It helped give birth to the giant industrial corporation, in the form of U.S. Steel. The consolidation within manufacturing that resulted from the rise of giant companies such as U.S. Steel was vital to the spread of mass production.

Pennsylvania has also made major contributions to ensuring that America's economic progress benefits ordinary people. This history begins with the Commonwealth's identity as the birthplace of democracy itself, symbolized by the signing of the Declaration of Independence in Independence Hall in Philadelphia. Pennsylvania's heritage also includes Lincoln's Gettysburg Address, which gave new and broader meaning to the phrase "all men are created



equal” and called for Americans to dedicate themselves so that “government of the people, by the people, and for the people shall not perish from this earth.”

Less widely known, Pennsylvania has pioneered efforts to establish an element of democracy in industry and a balance between working people and business. In 1827, Pennsylvania was home to the first labor union in America, the Mechanics’ Union of Philadelphia. In the 1930s and early 1940s, Pennsylvania helped give birth to one of the nation’s most powerful industrial unions, the United Steelworkers of America. Industrial unions were a key vehicle for distributing widely the benefits of unprecedented productivity during and after World War II to working families.

Bolstered by a strong manufacturing sector and powerful industrial unions, Pennsylvania had a large and prosperous middle class throughout the New Deal decades. Working families in these years experienced the benefits of the economy’s rising tide in tangible ways every day. Families often supported themselves with one full-time earner and appreciated an easier balance between work and family responsibilities.

Partly as a result of the prosperity of Pennsylvania’s New Deal years, the end of this manufacturing golden age created special challenges for the state’s working families. Yet the cultural values reflected in and reinforced by Pennsylvania’s equitable prosperity in the period after World War II remain critical resources in efforts to restore more broadly shared growth today. The memory of those days should also galvanize us all, given today’s much larger economic pie, to find the political will to restore a good quality of life for all working families.

### **BARRIERS TO SELF-SUFFICIENCY**

This report focuses on Pennsylvania’s “low-income working families with children,” defined as follows:

- ▶ A **Family** is a married couple or a single parent with at least one child under 18.

- ▶ In a **Working Family with Children**, all family members (persons related by blood, marriage, or adoption) over age 15 have worked a combined total of 39 or more weeks in the past 12 months, or they have worked 26 or more weeks combined with one unemployed parent looking for full-time work in the past four weeks.

- ▶ A **Low-Income Working Family with Children** has a combined family income that is less than 200 percent of the federal poverty line (FPL). Family income includes cash sources in addition to wages such as interest and dividend income, Supplemental Security Income (SSI), direct public assistance, and child support.

Today, Pennsylvania is home to almost half a million families with incomes below 200 percent of the poverty line. Of those families, two-thirds of them—nearly a third of a million families—are working families (Figure 1-1).<sup>1</sup> A total of 1.37 million Pennsylvanians live in these low-income families, including almost 695,000 children.<sup>2</sup> However, this report does not focus on youth, but on the working adults who support their families each day.

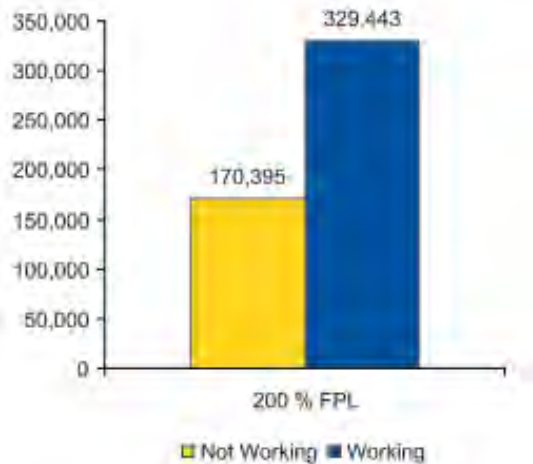
Pennsylvania low-income working families represent every race and ethnic group and live in all parts of the state. Two-thirds of Pennsylvania’s low-income working families are white.<sup>3</sup> However, 44 percent of all minority working families are low-income, compared to 20 percent of all white working families in the Commonwealth (Figure 1-2).<sup>4</sup>

The share of working families with low-incomes is highest in rural regions of the state along with the city of Philadelphia. Low incomes affect the lives of Pennsylvanians throughout the Commonwealth (Figure 1-3).<sup>5</sup> Overall, 28 percent of families in rural Pennsylvania are among the working poor, versus 22 percent in urban Pennsylvania.

Why do many Pennsylvania working families remain low income despite continued increases in productivity and

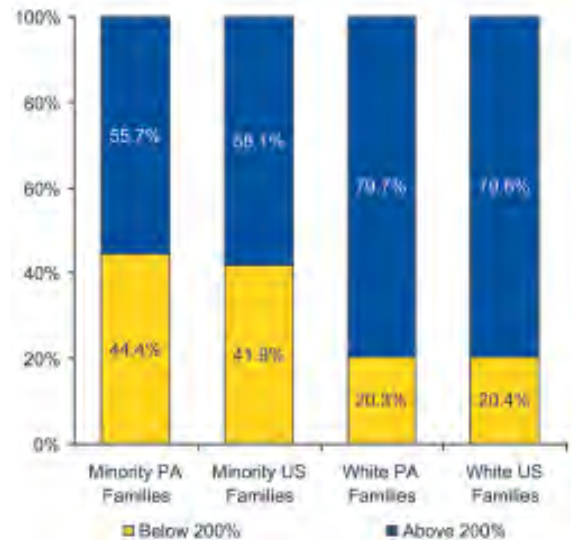


Figure 1-1  
Work Status of Low-Income Pennsylvania Families



Source: Working Poor Families Project, data generated by the Population Reference Bureau from the American Community Survey, 2004.

Figure 1-2  
Low-Income Status of Working Families by Race



Source: Working Poor Families Project, data generated by the Population Reference Bureau from the American Community Survey, 2004.

### BOX 1-1: THE FEDERAL POVERTY LINE

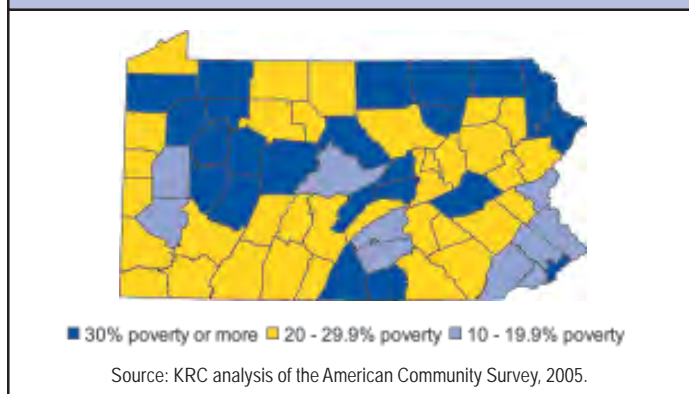
**History of the Federal Poverty Line:** No official measure of poverty existed in the United States until 1965. Mollie Orshansky, an employee of the Social Security Administration, developed an estimate based on the Department of Agriculture's "economy food plan," which provided a budget for how much a family needed to spend on food to prevent starvation on a temporary or emergency basis. Orshansky modified the food plan for different family sizes and multiplied the budget for each family size by three, since one-third of household income was spent on food. Her calculation, adjusted for inflation, became the federal poverty level (FPL). In 2004, when much of the data for this report was gathered, the FPL equaled \$18,850 for a family of four.

**Usage of the Poverty Line Today:** Food now consumes a smaller share of a family's budget than it did in 1965. Increased housing costs, not to mention child care and healthcare costs that were not part of a 1965 budget, have changed family spending to the point where three times the amount spent on food is not enough to cover all expenses. The FPL was also designed to apply to a family's after-tax income, but today is applied to their before-tax income, which means the family has even less money available to spend. Finally, the FPL remains a fixed amount throughout the continental United States, even though living costs vary widely. Studies done on actual costs in a basic family budget point to 200 percent of the poverty line as a more accurate approximation of the income needed to make ends meet without public assistance.

**Other Measures of Income:** In addition to the poverty line, other measures have been developed to compare income to family needs. One in particular, the Self-Sufficiency Standard, uses the real cost of food, housing, child care, and other needs to determine the cost of living for various family sizes in each county in a given state. While this report describes low-income families as those living below 200 percent of the federal poverty line, the Self-Sufficiency Standard for many counties in Pennsylvania requires an even higher income.

*To learn more about The Self-Sufficiency Standard for Pennsylvania, please see the Appendix. To see the current Federal Poverty Line, visit <http://aspe.hss.gov/poverty>.*

Figure 1-3  
Poverty Level in Pennsylvania Counties



in overall living standards? The general answer is that economic and family structures have changed radically, but public policies have not caught up. Specifically, this report highlights four ways in which policy or labor market institutions have failed to catch up to the changing economic and social world.

### Low Education

Education has become much more important to earning a decent wage in Pennsylvania since the 1970s. Not surprisingly, therefore, families in which adults have low educational levels are more likely to face economic distress than more educated families. Compared to other states, an unusually high share of Pennsylvania's low-income working families have no more than a high-school education. This reflects an earlier era in which Pennsylvania's high-school educated workers could find well paid manufacturing jobs.<sup>6</sup> Only 39 percent — two out of five low-income working families in Pennsylvania — have a parent with any post-secondary experience, ranking Pennsylvania 47th out of 50 states.<sup>7</sup> Only Louisiana, Texas, West Virginia, and the District of Columbia have a lower percentage of working families with post-secondary experience.

### Broken Career Ladders

The fact that two out of five low-income working families do have education beyond high school shows that education is not the only barrier to attaining higher wages. A second barrier to self-sufficiency is the absence of advancement opportunities that carry low-wage workers to a family supporting wage. In the "old" economy, job growth existed within manufacturing firms and in many service industries (e.g., telecommunications, utilities, banking, insurance, even supermarkets). Entry-level workers could move up without leaving the company or acquiring additional educational credentials.

Today many workers who start at low wages remain there. Of Pennsylvania workers earning below 200 percent of the

poverty level in 1998, two-thirds of those still working in Pennsylvania continued to earn below 200 percent of poverty in 2004.<sup>8</sup>

### Low Wage Jobs

Part of the problem for low-income working families is the sheer number of jobs that pay very low wages and benefits. In Pennsylvania, as in most states, jobs that pay low wages concentrate in a limited number of service industry occupations. More low-paying jobs than in the past also exist in manufacturing and in the construction industry.<sup>9</sup>

It may be helpful to remember that we have had large numbers of low-wage jobs in a strong economy before—a century ago, when these jobs existed within extractive industries as well as manufacturing. By mid-century, public policies and institutional changes in the labor market transformed our old economy low-wage jobs into middle class ones. The same formula, updated to fit today's new economy, can work again.

### Outdated Social and Educational Policies

A final reason for the large number of low-income working families in Pennsylvania is outdated social policies. There has not been a comprehensive updating of Pennsylvania's education, training, unemployment insurance, welfare, social benefit, or tax policies to cope with a global economy or with the rise of dual earner and single parent policies.

### NEW POLICIES FOR A NEW WORLD

The next three chapters of this report show in greater detail the barriers to self-sufficiency for working families. This report shows that Pennsylvania can restore more equitable growth by using its traditional values to craft and implement new policies.

- ▶ **Chapter 2** focuses on education and job advancement, including how Pennsylvania can create a learning infrastructure that helps more working families obtain marketable skills and advancement opportunities.
- ▶ **Chapter 3** focuses on economic development policies, identifying an opportunity to diminish Pennsylvania's concentration of low-wage jobs through linking business subsidies to decent wages and benefits. The chapter also points to the need for a comprehensive new economic development approach based on increasing growth in high-performance businesses and industries that also offer good jobs.
- ▶ **Chapter 4** addresses a wide range of wage and social policies. It recommends policy reforms that generate short-term benefits while also setting the stage for long-term reforms that would reclaim Pennsylvania's heritage as an equitable as well as prosperous state.



## CHAPTER 2

# New Skills for a New Economy

Pennsylvania's educational profile still bears the stamp of an industrial economy in which workers with only a high school education expected to find family-sustaining jobs. More than 50 percent of Pennsylvania adults end their formal education by dropping out of school or earning a high school diploma or GED.<sup>10</sup>

Increasingly, Pennsylvanians without post-secondary education struggle to find high-paying jobs. If they respond to this struggle with a desire for more schooling, the lack of accessible, low-cost, and flexible (e.g., part time and evening) post-secondary education and skills training poses a problem, especially in rural areas with no community colleges. The lack of access to affordable post-secondary schools not only hurts workers, but also retards the growth of Pennsylvania businesses.

While Pennsylvania's skills and educational infrastructures trail behind many other states, the Commonwealth's new workforce development strategy has created a vision of what a 21<sup>st</sup> century training and career system *should* look like and has begun to implement that vision. This plan seeks to build a network of industry-linked training partnerships that combines the workplace and the classroom. Pennsylvania's vision also aims to develop credentials that would be useful to multiple employers,

making up for the erosion of job ladders and security within the traditional "one company career." Low- and middle-income workers could enjoy routes to upward mobility as well as the chance to move laterally if their current job ends.

Looking forward, Pennsylvania needs to increase investment in post-secondary education, institutionalize workforce partnerships that coordinate training, job matching, and careers within the state's key industries, and focus more activities on enabling low-income workers to get jobs and advance. By taking these steps, Pennsylvania can help reclaim its heritage as an equitable and prosperous state.

### **POST-SECONDARY EDUCATION IS CRITICAL TO EARNINGS FOR INDIVIDUALS AND TO ECONOMIC GROWTH**

Today, much more than in the past, education is critical to an individual's economic opportunity. As recently as 1979, Pennsylvania workers without a high school degree earned over two-thirds as much as college-educated workers. In recent years, those same workers earned only about 40 percent as much as college-educated workers (Figure 2-1).<sup>11</sup>

The decline in the relative wages of less educated workers has stopped in recent years, but only because college-educated earnings are now falling. Today, an Associate's



Degree is necessary for typical single earners to attain a job that pays about \$15 per hour and supports a three-person family in Pennsylvania (Figure 2-2).<sup>12</sup>

Education beyond high school, which allows adults to acquire many of the mid-range technical and occupational skills employers need to create good jobs, also appears increasingly critical to economic growth. From 1993-2003, for example, states with a high share of workers with sub-baccalaureate education also tended to have higher job growth. As we shall see, the importance of sub-

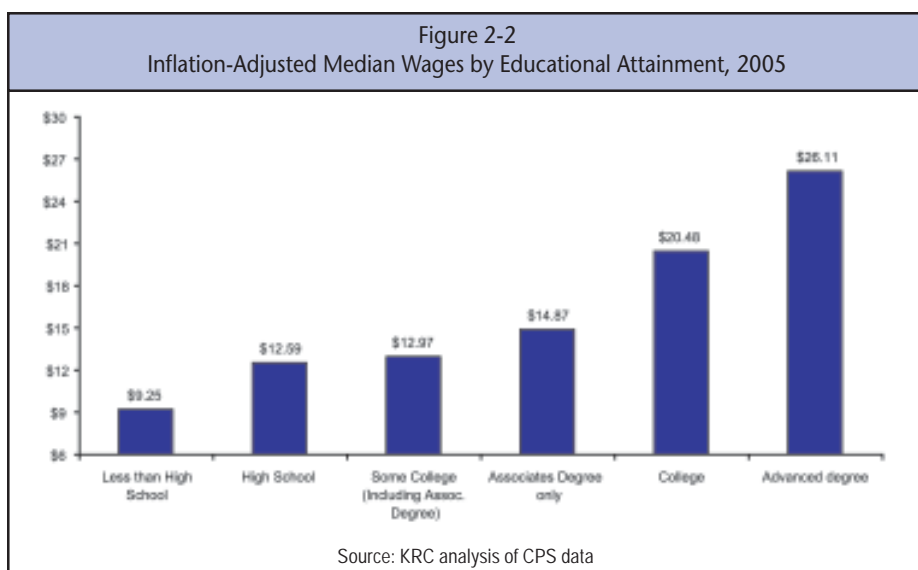
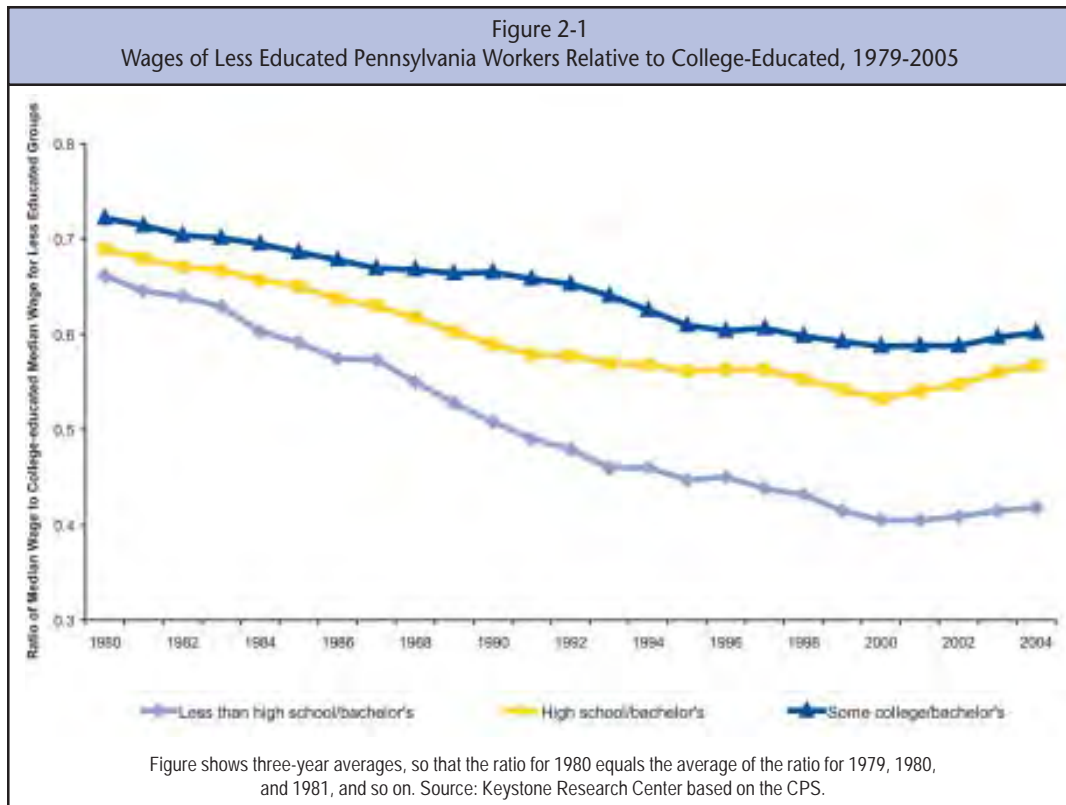
baccalaureate education poses a special challenge for Pennsylvania, which trails badly in this area.<sup>13</sup>

### Pennsylvania's Post-Secondary Education Gap

Based on a low share of adults without a high-school degree and a reasonably high share with a four-year college degree or post-graduate education, Pennsylvania ranks well at the low and high ends of the educational attainment curve. However, in the critical midpoint of educational attainment, Pennsylvania falls far behind. The state has a very large share of low-income working families stuck at exactly the high-school diploma (or GED) level (Figure 2-3).<sup>14</sup> Only four other states have higher numbers of low-income working families with no more than a high school degree or GED—West Virginia, Louisiana, California, and Texas, plus the District of Columbia.<sup>15</sup>

With the important exception of minorities (see Table 2-1), Pennsylvania's mid-range education gap compared to other states does not result from low college attendance among the younger working age population. Almost 40 percent of Pennsylvania's high school freshmen enter a degree-granting institution four years after entering high school, and 38 percent of young adults are enrolled in post-secondary institutions.<sup>16</sup>

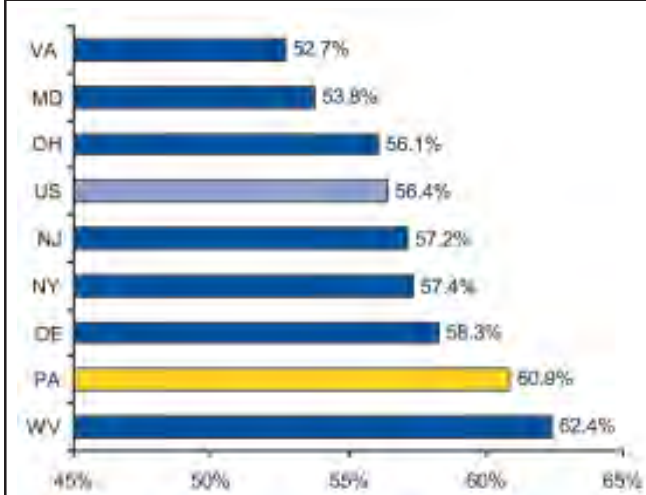
However, Pennsylvania's older workers have comparatively less education and fewer adults enroll in post-secondary education. For example, only



<sup>13</sup> Every 1 percent increase in the share of the population with post-secondary education is associated with a 1.5 percent increase in job growth. This is based on Keystone Research Center analysis using the Current Population Survey. Edward L. Glaeser, Jose A. Scheinkman, and Andrei Shleifer, "Economic Growth in a Cross-section of Cities," *Journal of Monetary Economics*, Vol. 36, 1995, pp. 117-143, also find that the level of education of the population of cities and metropolitan areas affected their population growth rates from 1960-1990 and that sub-baccalaureate education was more strongly related to growth than was education at higher levels.



Figure 2-3  
Percentage of Low-Income Working Families Where  
No Parent Has Postsecondary Education



Source: Working Poor Families Project, data from the American Community Survey, 2004.

5.2 percent of Pennsylvania adults 24-54 are enrolled in postsecondary institutions. This ranks Pennsylvania 47<sup>th</sup> of the 50 states and compares with a national average of 6.5 percent.<sup>17</sup> Pennsylvania's gap in the share of adults enrolled in part-time postsecondary education is even greater (Figure 2-4).<sup>18</sup>

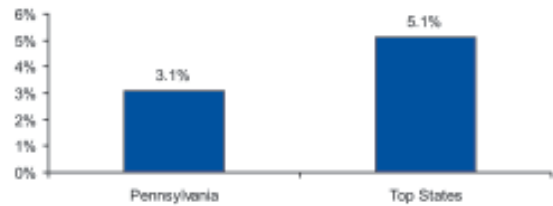
### Behind the Gap 1: Lack of Community Colleges in Some Areas

Pennsylvania's low educational progress beyond high school is perpetuated by the uneven geographic coverage of the state's community colleges. When mid-career high school graduates look for somewhere to continue their education, they often have no place to go. Five Pennsylvania regions, encompassing 27 mostly rural counties, have virtually no access to community colleges and have correspondingly low shares of workers with education beyond high school. Rural counties, however, are those most in need of educational resources. *Nearly two-thirds of all adults age 25-64 in Pennsylvania rural areas have no more than a high-school degree* (Figure 2-5).<sup>19</sup>

### Behind the Gap 2: Low Community College Funding

In conjunction with its lack of geographic coverage, Pennsylvania underinvests in community colleges compared to other states. The 2004 Measuring Up report card stated bluntly: "Pennsylvania does not offer low-priced college opportunities," while the 2006 Measuring Up report says that "Pennsylvania has made no notable progress" when it comes to affordability. Originally, students were to pay no more than one-third of operating costs in tuition while the "local sponsors" of community colleges, either cities, counties or school districts, and the state were to

Figure 2-4  
Adults Enrolled in Part-time Postsecondary Education, Age 25-49

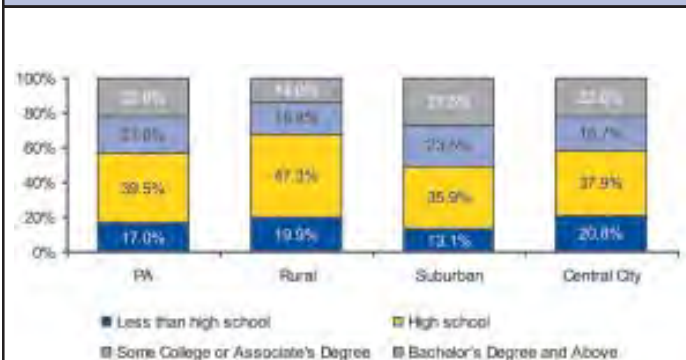


Source: Measuring Up 2006: The National Report Card on Higher Education. San Jose, CA: National Center for Public Policy and Higher Education, 2006

provide the other two-thirds of the costs. Today, local sponsors often fall short of meeting their obligation. State government spending per capita on community colleges ranks 8th lowest among all the states, and 11th lowest when local spending is added. Because of the lack of government funding, Pennsylvania community college tuition costs 50 percent above the national average.<sup>20</sup>

Skills training and postsecondary education have traditionally been least accessible to those who need it most: low-income adults working full-time to support their families and attending school only on a part-time basis. Grant and loan assistance for higher education have been geared to an old model in which students attended school full time for extended periods before working full time. Reflecting this model, students receiving education less than half-time do not qualify for federal loans or for Pennsylvania State Grants offered to college students by the Pennsylvania Higher Education Assistance Agency. Even students attending school half-time to full-time must be in programs that last two years to receive State Grants. While working adults may be eligible for Pell Grants, the financial need formula disqualifies many because their incomes are too high or the cost of attending community college less than half-time is too low to result in a determination of financial

Figure 2-5  
Educational Attainment by Region, 2005



Source: KRC analysis of CPS data

Table 2-1  
Selected Findings on Higher Education from  
Pennsylvania's *Measuring Up* 2006 Report Card

	<i>Pennsylvania</i>	<i>Top States</i>	<i>Grade</i>
I. Participation			B
18-to 24-year-olds enrolled in college	35 %	41 %	
Working-age adults (25-49) enrolled in postsecondary education	3.1%	5.1 %	
<i>NCPPE Comments:</i> "White young adults are twice as likely as young adults from other ethnic groups to attend college." "Young adults from high-income families are about twice as likely as those from low-income families to attend college."			
II. Affordability			F
Percent of income (average of all income groups) needed to pay for college expenses minus financial aid:			
At community colleges	26 %	15 %	
At public 4-year colleges/universities	35 %	16 %	
At private 4-year colleges/universities	70 %	32 %	
<i>NCPPE Comments:</i> "Over the past several years, the share of family income, even after financial aid, needed to pay for college expenses at public four-year institutions has increased ..." "Pennsylvania has made no notable progress in making higher education affordable."			
III. Completion			A
1 <sup>st</sup> year community college students returning their 2 <sup>nd</sup> year	58 %	62 %	
Freshmen at 4-year colleges/universities returning their sophomore year	81 %	82 %	
First-time, full-time students completing a bachelor's degree within 6 years of college entrance.	63 %	64 %	
<i>NCPPE Comment:</i> "Over the past decade, the gap between whites and blacks has widened in the proportion of students completing certificates and degrees relative to the number enrolled."			
Source: <i>Measuring Up 2006: The National Report Card on Higher Education - Pennsylvania</i> , National Center Report #04-4 (San Jose, CA: National Center for Public Policy and Higher Education, 2006).			

need. Some very low-income students may be able to receive Pell Grants for less than half-time enrollment. Pennsylvania also lacks funding for short-term, non-credit career training classes for adults.<sup>21</sup>

One loan program that is available to low-income students is the Workforce Advancement Grant for Education (WAGE) program. In conjunction with Job Ready PA (described below), the Pennsylvania Higher Education Assistance Agency (PHEAA) launched WAGE to target adult workers at school less than half-time who are ineligible for traditional PHEAA State Grants. WAGE recipients must "demonstrate financial need," may receive up to \$3,500 in an academic

year and must be enrolled in study related to a High Priority Occupation (HPO), an occupation with job openings that pays over 200 percent of the poverty line for a family of three or offers career advancement opportunities.<sup>22</sup>

WAGE grants are available through post-secondary institutions deemed eligible to participate. In some areas without community colleges, this caveat may make WAGE grants hard to access due to the lack of qualified schools (although some Career and Technical Colleges have become eligible).

### LACKING THE FUNDAMENTALS: LOW ADULT LITERACY

In addition to increasing access to post-secondary education, the Commonwealth must contend with a substantial number of adults with low literacy levels. Literacy fulfills important needs not only for adults looking for jobs, but also for children looking to adults for guidance. Research shows that parental education influences the economic status of their children, which means that adult education can help break the cycle of poverty in families.<sup>23</sup>

In Pennsylvania, a 1992 survey showed that nearly half of Pennsylvanians 16 and older had low literacy scores, ranking Pennsylvania 40<sup>th</sup> in literacy scores out of all states.<sup>24</sup> According to a 2006 paper, 4 million Pennsylvanians still need adult literacy education because their literacy is below the level "necessary to succeed in the workforce."<sup>25</sup>

Pennsylvania invests far less in educating adults without a high school education than most other states: only \$20.46 per adult in 2002 compared to an investment of at least \$46.65 by the top third of states.<sup>26</sup> Because of the low funding levels, programs typically offer only five hours of class each week.<sup>27</sup> Only 6.8 percent of adults without a high school education or GED are currently enrolled in Adult Education programs.<sup>28</sup>

Not all adults in need of literacy education lack high school diplomas. Even for those Pennsylvanians moving into post-secondary education through the state's community college system, a substantial portion of students require developmental education to improve their academic skills before being able to enroll in college level courses: 38 percent need education in mathematics and 27 percent in English/writing.<sup>29</sup>

<sup>22</sup> The state defines an initial list of HPOs in each industry cluster using labor market data that indicate whether occupations have sufficient numbers of openings, have shortages (unemployment, recent employment growth, wage growth, and the ratio of workers trained for the occupation to the number of job openings) and whether they pay wages about 200 percent of the poverty line. This list is then modified in some cases by information from industry experts, Industry Partnerships, or other local practitioners.

## **WORKFORCE DEVELOPMENT: FROM FRAGMENTED PROGRAMS TO A 21<sup>ST</sup> CENTURY LEARNING AND CAREER SYSTEM**

Employment and training services in Pennsylvania are funded by many fragmented federal and state programs. These operate at the state level by four separate Departments (Labor and Industry, Education, Public Welfare, and Community and Economic Development). The most prominent services are provided by the federal Workforce Investment Act (WIA), which funds employment services and training programs to assist adults, disadvantaged youths and dislocated workers. Twenty-two local Workforce Investment Boards (WIBs) oversee the delivery of WIA services with support and oversight from the State Workforce Investment Board.

“One-stop” CareerLink centers throughout the state deliver some of these WIA services. Basic services, such as online job listings, are accessible to all adults. More extensive job counseling, job search assistance, and job training services are available, based on income, to dislocated workers, or select other groups such as low-income working adults.

The traditional focus of workforce programs has been on delivering direct services to help workers overcome specific barriers (such as dislocation, low literacy, lack of formal education, physical disabilities, etc.). This so-called supply side approach makes sense if the job market as a whole has “enough” good jobs and if addressing workers’ specific barriers can enable them to get one of these good jobs. Today, however, Pennsylvania and the United States have a shortage of jobs that support a family. As a result, it is not sufficient for workforce programs to ignore the jobs that are in demand within the labor market, particularly when assisting low-income workers who want to earn higher wages.

### **Connecting Workforce Programs to Industry Demand**

In 2003, when Governor Rendell took office, a new head of workforce development was given the authority to coordinate workforce programs across multiple agencies. The Rendell workforce team, with support from the legislature and private sector, has sought to implement a new strategy grounded in recognition of the need to connect with industry as well as serve workers.<sup>30</sup>

## **BOX 2-1: HEALTH CARE INDUSTRY PARTNERSHIPS IN SOUTH CENTRAL PENNSYLVANIA<sup>1</sup>**

The industry in which the largest number of Industry Partnerships have been formed under Pennsylvania’s workforce strategy is health care. These IPs began by addressing pressing recruitment gaps and skill needs of business, but are beginning to address job quality and retention issues.

In the south central part of the state, for example, Health Care Industry Partnerships began to emerge around 2000 in response to health care skill shortages. Three Workforce Investment Boards (WIB) covering 10 counties formed a working group with health care employers. This working group created a pool of resources to fund a media campaign encouraging more workers to apply for health care jobs. Specialists at 10 CareerLinks were trained in assessing and guiding new job candidates into appropriate education and employment. Outreach to training providers helped expand course offerings, especially in off hours. As a result, in Lancaster the number of graduates from three area educational institutions doubled from 2003 to 2005. The three programs also negotiated articulation agreements with Millersville University, which operates Bachelor’s and Master’s degree programs in nursing. The working group also received a Department of Welfare grant to start high school health care academies in Chambersburg, Harrisburg and Lancaster.

Since 2004, South Central PA Health Care Industry Partnerships have focused on the high turnover at long-term care employers. These efforts began with training at pilot facilities on “job coaching” supervisory approaches that tend to lower workforce turnover. Following this up, South Central Health Care IPs are beginning to engage willing lead long-term care employers with the deeper organizational changes necessary to institutionalize a “quality jobs-quality care” approach. Fundamental change of this type, while difficult, could have major benefits for both consumers and workers.

A future challenge for health care IPs is strengthening career ladders that give lower-paid occupations (such as direct care, food service, and janitorial staff) pathways to medical record-keeping, technical jobs, or even nursing.

<sup>1</sup> This box is based on personal communication with Bob Garraty, Ed McCann and Scott Sheely as well as recent proposals to the Department of Labor & Industry by the Lancaster and South Central WIBs.



The state's approach to connecting workforce development with industry began with mapping nine "targeted industry clusters" in which Pennsylvania has a competitive advantage and/or which provide substantial numbers of good jobs. As a result of looking for industries with "good jobs," most industry clusters focus on higher income workers. Low-wage industries, such as hospitality, tourism, and retail, were omitted because their wages and advancement opportunities were seen as too low to warrant state training investment.

Pennsylvania's local workforce investment boards, with support from the Commonwealth, then began forming Industry Partnerships (IPs) in regional targeted clusters. The role of IPs is to identify skill gaps and other workforce needs of the targeted industry sector and to oversee the design and delivery of services to meet those needs. IPs aim to improve job quality in several ways.

- ▶ They educate workers in skills that pay well and are in short supply.
- ▶ They help managers learn from each other in adopting competitive strategies and human resource practices that improve job quality and career advancement opportunities.
- ▶ They launch training and career initiatives that increase career mobility across companies, including counseling centers with deep knowledge of employer needs, peer networking opportunities for workers, and portable credentials agreements.

To date, Industry Partnerships are funded by small grants from state government plus the in-kind commitment of the time spent by managers, union leaders, and other key players who participate in IP meetings. For an example of IPs in action, see Box 2-1.

In addition to investing in IPs at the regional level, Pennsylvania has created one statewide component of an industry-linked workforce infrastructure, a Center for Health Careers staffed by the State

Workforce Investment Board. The Center serves as a forum for addressing statewide workforce issues in the health care sector, such as the retention crisis among health-care workers and the long-term shortage of direct care workers.

### **Job Ready PA: A First Step to Expanding Opportunity and Boosting Competitiveness**

A key step in implementing the state's workforce strategy was the passage of Job Ready PA in the 2005-2006 budget. Job Ready PA provides annual funding to build or strengthen Industry Partnerships as well as funding for incumbent worker training and community colleges. In addition, Job Ready PA redirected occupational education dollars received by community colleges towards "High Priority Occupations" (HPOs) within the state's targeted industries. As described above, HPOs have job openings and pay over 200 percent of the poverty line for a family of three or offer career advancement opportunities.<sup>31</sup> Targeting these positions improves the chances for workers to find good job opportunities when they finish training and strengthens the link between occupational education and economic growth.

More generally, Pennsylvania's workforce strategy also seeks to align some of the state's other education and workforce programs, such as customized job training, with HPOs and with the skill sets identified by the IPs.

### **TANF: FROM "WELFARE AS WE KNOW IT" TO...?**

In 1996, Congress ended "welfare as we know it" and substituted a new public assistance program known as Temporary Assistance for Needy Families (TANF). TANF focused primarily on ensuring that recipients found jobs to end their dependency on welfare. For the TANF population with the most technical and interpersonal skills, the "work-first" approach did become a platform for sustained attachment to the job market and movement to self-sufficiency. However, for many others, job search took place without addressing the barriers that



led individuals to welfare in the first place. While caseloads quickly decreased under the 1996 law, leaving TANF often did not mean leaving poverty.<sup>32</sup>

Many of the jobs acquired by TANF workers were low-wage and dead end, even in the job market of 1996 to 2000, which had low unemployment and the most sustained wage increases for low-wage workers in two decades. Advocates were initially assured that as caseloads diminished, the Department would collaborate with community colleges and Workforce Investment Boards to create training programs for former TANF recipients. While caseloads did fall and the state's TANF surplus reached \$588 million for FY 2000-2001, no such program came about.<sup>33</sup>

By 2001, Pennsylvania ranked in the bottom half of all states when measuring job entry and retention, in part because of "work-first" policies, insufficient education, and the lack of other supports needed for workers to keep jobs once they found them. Since then, Pennsylvania has invested more money in education and training programs, but job retention and advancement remain low.<sup>34</sup>

### **Welfare and Other Workforce Programs Remain Largely Separate**

While the state has launched a comprehensive workforce strategy for many of its workers, TANF programs have remained largely separate from other state-run career services and employment programs. This status differs from other states, including three neighboring states (New Jersey, Maryland, and Virginia) who partner their "one-stop" services with TANF, food stamp delivery, and other programs.<sup>35</sup> Some welfare advocates feel that CareerLink and other services for the unemployed would not effectively serve their clients; others feel the right approach is an integrated one, with CareerLink needing to develop the staff capacity to assist all populations.

Most TANF agencies have staff responsible for employer outreach ("job developers") separate from other workforce programs and from the Commonwealth's Industry Partnerships. As well as the inefficiencies and headaches this creates for employers, separate employer outreach could make it harder to access jobs leading to self-sufficiency for populations at risk of being stigmatized by employers.

While integrating services may be key to helping TANF recipients find jobs, they also need access to tools that can help them remove barriers to work. Otherwise, a number of recipients may continue to find it difficult to find and maintain good jobs. Many recipients need basic literacy, ESL, and GED classes in order to build a foundation for occupational skills training. They may also need post-employment mentoring, child care, and transportation subsidies.

### **Education and Career Advancement in TANF**

Under the TANF program, Pennsylvania has allowed some recipients to engage exclusively in education or training programs for up to 12 months while receiving welfare.<sup>36</sup> The Commonwealth is also adding a separate state program that will allow recipients to receive an additional twelve months of education. Two new but small-scale programs introduced with Job Ready PA—Move Up and KEYS—point to a shift in focus from rapid job placement to education and career advancement. Move Up, a collaboration between the Departments of Education and Public Welfare (another part of Job Ready PA), offers intensive and work-focused education services to TANF clients. The KEYS program (Keystone Education Yields Success) helps pay for TANF recipients to enroll in the state's community colleges.

New 2006 federal regulations regarding TANF create additional challenges to promoting career advancement. These regulations sharply raise (to 50%) the share of current TANF clients who must participate in "work," and end the practice of providing credit to states for reduced caseloads since TANF first went into effect. The new work participation requirements reinforce a focus on job placement.

Pennsylvania must use all the flexibility it can find within the new law in continuing a career advancement strategy for TANF clients. One creative response to the new legislation has been to define as an allowable work activity combined class time, supervised study time, and work study hours for KEYS program participants. This kind of approach reconciles new work requirements with the goal of strengthening career advancement for TANF clients.

Work providers are gearing up to provide more "workfare" as opposed to unsubsidized employment or education and training for TANF clients. This workfare is usually community service work for which recipients receive no additional pay. While workfare has long been available as an activity for TANF recipients, studies show that workfare does not substantively add to recipients' skill base or ability to find unsubsidized employment.<sup>37</sup>

### **TRACKING PROGRESS: ENSURING THAT EDUCATION AND TRAINING PAY FOR PENNSYLVANIA**

Good data on performance outcomes are essential to knowing when workforce programs are working well and to improving these programs' ability to move more low-income families to self-sufficiency. Historically, there has been little assessment of the performance of education and training programs serving low-income adults. Lack of good data led the Rendell Administration to design a new Performance Management Plan that requires, for example, that all service delivery programs report common information on job placement rates, wages of workers placed, and how many workers remain employed over

time. The Plan also requires reporting on qualitative measures that evaluate programs and Workforce Investment Boards based on the “strategic” fit of their activities with the overall workforce strategy.

Even with the Performance Management Plan, however, basic data is lacking, especially on the outcomes of educational programs and on the progress of TANF recipients to self-sufficiency.

- Pennsylvania does not track the progress of community college students who take remedial education classes.<sup>38</sup>
- Nor does it track the placement of community college students, including low-income students, in well-paying jobs.<sup>39</sup>

Similarly, TANF leavers for the most part go untracked once they exit the program. While data shows that 55.6 percent of TANF recipients entering work were able to maintain their employment for three consecutive quarters, this information provides no background on the wages earned.<sup>40</sup> Little information exists to show if recipients have gained or maintained jobs leading to self-sufficiency, if they are able to afford insurance and child care, or if TANF has simply moved recipients from poverty to working poverty.

### New Skills for a New Economy: RECOMMENDATIONS

Pennsylvania’s workforce strategy represents an impressive start on the creation of a learning and career support structure that can benefit Pennsylvania businesses and workers, including low-income working adults. Yet many challenges remain. The recent increase in state education and training investment for working adults remains very modest, about \$15 per Pennsylvania worker per year counting all new and reprogrammed money in Job Ready PA. This is inadequate in light of Pennsylvania’s mid-level educational attainment gap and the importance of post-secondary education and occupational skills to individual earnings and growth. Meanwhile, TANF and the state’s workforce strategy remain largely separate, and systematic efforts to promote career advancement for TANF recipients and other low-income workers have not yet been implemented. Finally, while the Commonwealth is committed to improving performance measurement, little information exists on the outcomes for workers from education programs and on the progress of TANF clients to self-sufficiency.

To address these key challenges, the state should implement Job Ready 2, consisting of the following elements.

## RECOMMENDATION #1

### Provide Access to Two Years of Post-Secondary Education Through Investment in Education and Financial Assistance

► Improve funding for community colleges. To increase state funding annually to the average national per capita spending would require more than \$300 million. One approach would be to create a statewide community college system funded primarily by state funds while maintaining sufficient local funding to retain local ownership and commitment to local needs. The recent passage of Act 46 has allowed community colleges an opportunity to receive more funding where their programs meet high priority occupational needs. Capital needs, however, remain underfunded (despite a modest increase with the 2005-06 budget) and force community colleges to use their limited operating funds to cover their capital expenses. An increase in capital funding and state responsibility for a higher share of operating funds would make it more feasible for the rural regions without a community college to generate the local funding to create one.

► Expand post-secondary financial support for part-time working adults. Building on the WAGE program, the Commonwealth and its higher education financial assistance agency (PHEAA) should enhance grant and loan funds available to part-time low-income working adults. A more flexible approach would make grants available directly to working adults themselves, as long as their coursework—wherever delivered—meets criteria that ensure quality, value, and job opportunities. These criteria might require that the education link with a high priority occupation or with the basic skills essential to train for a high priority occupation, and that the education leads to college credit and accreditation.

► Increase investment in adult literacy. Before they can reach higher education, many Pennsylvanians still need support to improve their literacy. The Commonwealth must increase its investment in basic skills classes in addition to providing greater access to post-secondary education. By ensuring that all students receive the intensive training they need, these adults can more quickly move out of poverty and into better careers. Programs like Career Gateway, which provides the basic skills and resources needed to attain higher education, should be expanded to ensure that all students receive a basic education that prepares them for post-secondary schooling or training. Educators can also partner with employers and workforce development agencies to link literacy education with new career paths for low-income adults.

Taken together, the goals for these reforms should be to create funding for community colleges and expand financial support, providing the opportunity for working adults to spend at least two years in postsecondary education.

## RECOMMENDATION #2

### **Institutionalize an Industry-linked Training and Career Infrastructure**

To more deeply and permanently root industry-linked workforce institutions, Pennsylvania should:

- Increase private and public investment in IPs and training coordinated by IPs.
  - *Build funding of partnerships and training into state regulation and funding of industries.* In virtually every sector today, adequate investment in human capital is critical to opportunities for workers and to productivity and performance for firms. In sectors in which the state has the leverage to ensure adequate investment in education and training and in institutions that support worker learning and career advancement, the state should use that leverage. More specifically, in sectors in which the state has a substantial regulatory role and/or provides substantial state funding, funding of workforce training and of Industry Partnerships should be built into state regulations and funding. These sectors include health care, human services, utilities, trucking, public transit, construction, and now gambling.
  - *Require that businesses in IPs receiving state grants contribute financially to the IP itself.* At present, IPs applying for state grants to build IPs are given preference if they provide a 1:1 match of state funds. IPs applying for state training grants must provide a 1:1 match but this match may include paid release time for workers and some other in-kind contributions (e.g., the costs of workers' salaries while in training) and may also be waived at the discretion of the state. To increase the sustainability of IPs, businesses could be required to provide a cash match to help cover the costs of the IP's own operating expenses (including staff). The goal here is to encourage businesses to think of money for the coordinating functions of IPs as part of the cost of doing businesses for a high-performance company.
  - *Evaluate the benefits of a "pay or play" Industry Partnership training payroll tax that would apply to all companies.* In 1990, a U.S. Congressional report (*Working Training*) recommended passage of a "pay or play" payroll tax requiring companies to invest a percentage (e.g., 1.5 percent) of payroll in training or pay into a government fund for training programs. A variation on this idea could dovetail with Pennsylvania's creation of

a multi-firm learning and career infrastructure. Under this variation, businesses would be required to invest a given percentage of payroll into the training partnership of their choosing that serves multiple businesses in their industry or to contribute to a state training fund. In practice, faced with this choice, most businesses would invest in the IP of their choosing and Pennsylvania would have an industry-linked training and career infrastructure second to none.

- Fund statewide human resource councils in targeted industries. Statewide industry partnerships or "sector councils" (such as the Center for Health Careers) can be an effective vehicle for addressing a wide range of issues beyond the scope and capacity of most regional IPs. These issues include state policy, credentialing and articulation issues pivotal to advancement for low-income workers, and competitiveness challenges with a focus on the role of human resource practices in confronting those challenges. (These competitiveness challenges are a focus of Pennsylvania's second statewide sector council, a plastics industry partnership launched with a \$3.75 million federal grant.) Statewide sector councils can also provide technical assistance to regional IPs. The value of creating statewide sector councils, co-funded by government and the private sector, should be considered in all of Pennsylvania's targeted industry sectors.
- Embody Industry Partnerships in statute. Budget allocations for building Industry Partnerships and delivering training through them must continue to be used for that purpose. Currently the administration has discretion over funding IP services, which means that funding is contingent on the administration in office.

## RECOMMENDATION #3

### **Promote Career Advancement for Low-income Workers**

Pennsylvania needs to connect low-income workers, including TANF clients, with its Job Ready career advancement approach. While work can (and should) remain prominent in TANF policies, recipients also need access to the education, training, and skills workshops that will increase their education and help them attain self-sufficient jobs in the future. In every instance, the underlying premise that should guide the state's programs is that family well-being hinges on income adequacy, and that, therefore, employment should lead to wages that meet at least 200 percent of the Federal Poverty Level.<sup>41</sup>

<sup>41</sup> Even better, measuring success based on *The Self-Sufficiency Standard for Pennsylvania* would create benchmarks showing real self-sufficiency for Pennsylvania's TANF recipients. See Appendix for more on the Self-Sufficiency Standard.

► Expand access to literacy, GED, and ESL education. Expanded basic educational services are essential if low-income working parents are to earn and maintain family-sustaining jobs. Because of the connection of basic education to obtaining jobs that meet self-sufficiency standards, services should qualify as “vocational training” and as “work hours” under new federal government regulations. When possible under new TANF regulations, training should be combined with work in order to provide the best outcomes for recipients.<sup>42</sup>

► Increase combined activities such as those found in KEYS. Under the KEYS program, Pennsylvania found a way to combine work and education into an allowable work activity, even though the current federal regulations attempt to keep these two programs separate from each other. In addition, Pennsylvania has created a separate state program to allow recipients pursuing education to receive a second year of education, since the federal regulations only allow for one year. Pennsylvania should extend the same access to other TANF recipients receiving education, including those in training programs, and allow more recipients to take part in the KEYS program.

► Use state funds not claimed for Maintenance of Effort purposes to encourage activities beyond the federal regulations. Barriers to employment, such as mental health issues or problems speaking English, make it difficult for some TANF recipients to find and maintain a job. However, new federal regulations only allow recipients to spend six weeks receiving these services, which is not nearly enough time to treat a disease or learn a new language. The state can meet these needs through use of other state funds. In addition, the Department of Public Welfare can partner with other state agencies (as they already do in programs such as Move Up) to provide services for low-income adults beyond TANF. Addressing TANF recipients’ needs now will save money over time as the recipients become more productive and reach self-sufficiency.

► Fund Industry Partnerships explicitly to promote career advancement for low-income workers and link adult literacy and welfare programs with the state’s career building strategy. IPs do not explicitly target low-wage workers. Targeted funds should pay for the staff of partner organizations to manage the integration of services for low-income adults with the screening, training, and post-employment support essential to recruiting workers with the requisite skills. Funding would also provide additional support for barrier removal, case management, and support services enabling low-income workers to get and keep jobs. Over time, programs of this kind should provide models for system-wide reform

that integrates TANF services with workforce supports that enable low-income workers to advance to jobs that meet self-sufficiency standards.

► Advocate for changes in federal policy. Pennsylvania can be a leader in welfare policy by advocating for changes within that policy. While the Commonwealth may be able to adapt some regulations in order to provide needed services to TANF recipients, the federal regulations are needlessly constricting and ignore TANF recipients’ need for self-sufficient jobs. Pennsylvania should begin advocating such jobs and programs on a national level.

#### RECOMMENDATION #4

##### **Strengthen Performance Measurement and Accountability**

Pennsylvania has begun to build performance measurement into its management of workforce programs. To further advance its workforce accountability efforts, the Commonwealth should:

► Track and publicly report outcomes for students who enter higher education programs. These reports should include the share receiving certificates, credentials, or degrees, as well as long-term employment and wage outcomes.

► Measure long-term progress towards economic self-sufficiency for TANF participants and leavers. Making self-sufficiency an explicit goal of the program in DPW’s annual TANF State Plan, and then measuring progress towards this goal, can reorient service delivery to self-sufficiency rather than reducing the rolls. The state can base self-sufficiency income upon 200 percent of the Federal Poverty Guideline. A more accurate benchmark would rely upon *The Self-Sufficiency Standard for Pennsylvania*, updated biennially for every county in Pennsylvania and for a range of family types and sizes.<sup>43</sup> Measuring progress to self-sufficiency would again mark Pennsylvania as a leader—only a few states currently monitor this for TANF recipients.

<sup>43</sup> For more information on the Self-Sufficiency Standard, please see the Appendix.





## CHAPTER 3

# An Economy for One Pennsylvania

**T**o provide economic opportunities for all Pennsylvania needs economic development policies that spur the creation of good jobs, especially in places and for people who most need them.

For 50 years, the main thrust of Pennsylvania's economic development approach has been to use state subsidies to recruit new businesses to the Commonwealth. Economic globalization along with declining transportation and telecommunication costs have made it harder to win these bidding wars—or have driven up the price of victory so that few of the benefits spill over to the community. Partly in response, Pennsylvania has established several new economic development tactics, such as investing in efficiency increases for small and medium-sized businesses and fostering new technology companies.

Pennsylvania has an opportunity to implement a comprehensive “next generation” economic development approach that delivers for both working families and for Pennsylvania businesses. Accomplishing this economic development requires two reforms. A simple first step is to strengthen the accountability linked with providing subsidies. Businesses receiving state money should disclose basic information on resulting job creation, and should be required to create family-sustaining jobs that are accessible

to communities with large numbers of low-income families. They should also be required to give TANF recipients and dislocated workers first opportunity to apply for jobs that receive state funds.

A second, and more far-reaching, step is to shift away from subsidies to individual companies to investments in *regions and industries*. Such investments can help many firms attract talent, become more innovative, improve performance, and create better jobs. At the same time, investing in industries prevents Pennsylvania from losing its investment if a single company decides to leave the Commonwealth.

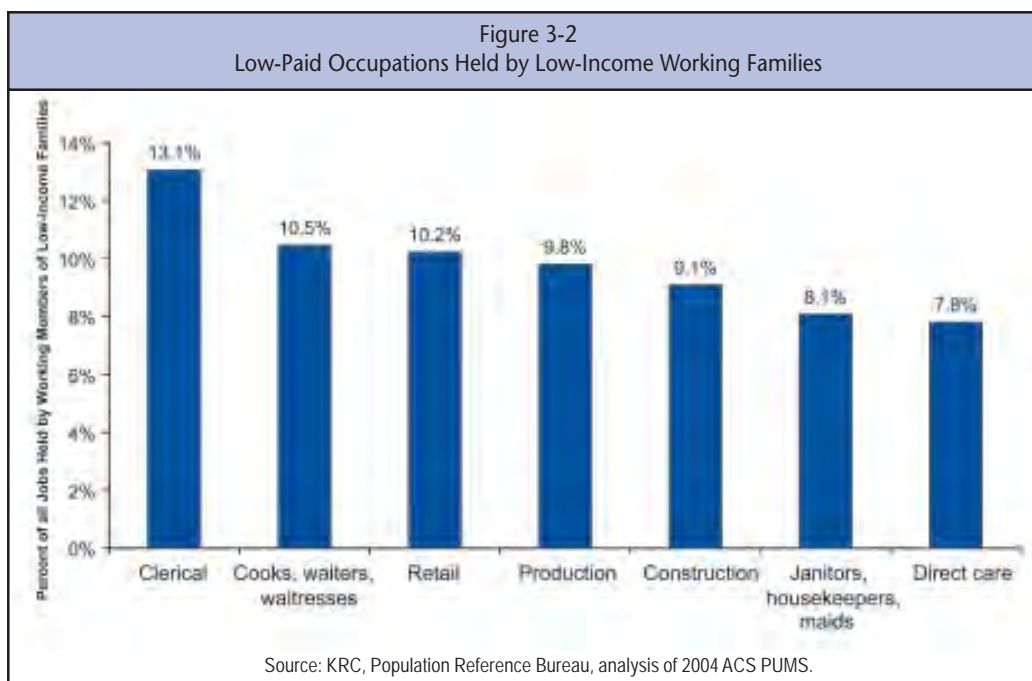
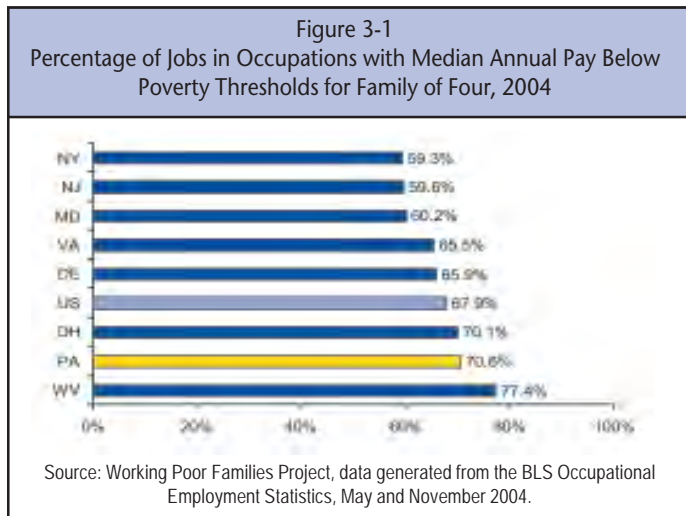
To increase the benefits for low-income families through a next generation approach, Pennsylvania must explicitly promote changes in competitive strategies and organizational practices that improve opportunities for low-wage workers. In some cases, this will mean engaging with industries with a high proportion of low-wage jobs. If, for example, large numbers of low-income families have jobs in hospitality, tourism, and agriculture, then the state must couple any investment in those industries with comprehensive efforts to improve those jobs.

## A RESTRUCTURED ECONOMY

### A New Economy with Too Few Middle-Class Jobs

The context for a new economic development policy in Pennsylvania is the shift to a service-based economy. Manufacturing employment in Pennsylvania peaked at 47 percent of total employment in 1944, falling to 38 percent in 1967, and 12 percent today.<sup>44</sup> Meanwhile, the service sector has grown, but has not filled the gap in middle-class wages. 70.6 percent of jobs in Pennsylvania (a number slightly higher than the national average) are in occupations where the median wage is below 200% of poverty for a family of four (Figure 3-1).<sup>45</sup> 39 percent of all minority workers in Pennsylvania work in low-wage jobs.<sup>46</sup>

The expanding service sector includes many jobs that demand high levels of education (and pay accordingly)



combined with jobs that pay poorly and in many cases require little formal education. Figure 3-2, based on U.S. data, shows that low-wage service occupational groups account for just over a third of all jobs held by workers in low-income working families.<sup>47</sup> Direct care workers plus janitors and other cleaners account for another 16 percent.

### A Lack of Jobs for Rural Areas and Cities

The new economy has posed special challenges for Pennsylvania's rural areas and for urban neighborhoods once dotted with industrial plants. Manufacturing once employed many people with modest levels of educational attainment. In many rural communities, one or two factories employed a major portion of the community's workforce. Urban and rural communities lack replacement jobs that support a family and that displaced manufacturing workers can get.

The need for jobs in the hardest-hit communities and demographic groups can be seen in the Commonwealth's unemployment statistics. Today, unemployment rates in Pennsylvania range from a low of 3.5 percent in Franklin County to 8.5 percent in Forest County.<sup>48</sup> Within individual counties, unemployment rates can vary sharply. For example, Chester City had an unemployment rate of 8.4 percent in August 2006, compared to a countywide figure of 3.7 percent for all of Delaware County.

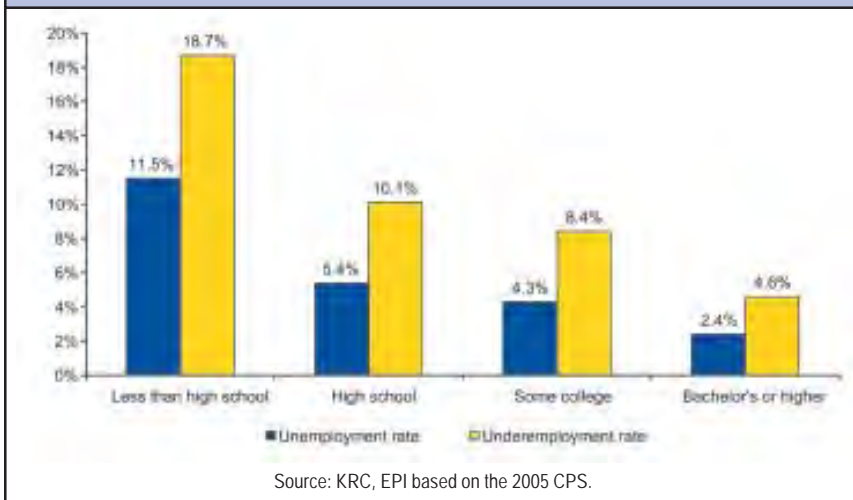
### A Lack of Jobs for Less Educated Workers and Minorities

Employment opportunities in Pennsylvania vary widely by education. For example, in 2005, Pennsylvanians without a high-school education were more than four times as likely to be unemployed or underemployed as college-educated Pennsylvanians (Figure 3-3).<sup>49</sup> Pennsylvanians with only a high-school education had unemployment and underemployment rates more than twice as high as college-educated Pennsylvanians. The labor force participation rate

<sup>48</sup> The unemployment rates in this sentence are seasonally adjusted. Those in the next sentence are not. In both sentences, the rates reported are for August 2006. Civilian Labor Force Packet. Harrisburg, PA: Center for Workforce Information and Analysis, 2006. Available at [http://www.dli.state.pa.us/landi/lib/landi/cwia/releases/clf/clf\\_aug\\_06.pdf](http://www.dli.state.pa.us/landi/lib/landi/cwia/releases/clf/clf_aug_06.pdf). Accessed on 11/16/06.

Figure 3-3

Unemployment and Underemployment in Pennsylvania by Education Level, 2005



of Pennsylvania workers without a high-school education is below 40 percent, less than half the rate for college-educated workers (Figure 3-4).<sup>50</sup>

Employment opportunity gaps are also substantial by race and ethnicity (Figure 3-5).<sup>51</sup> African-Americans have underemployment and unemployment rates two to three times as high as whites do. Hispanics have rates about 67 percent higher than whites do. Pennsylvania's employment opportunity gaps by race are larger than the national average. Pennsylvania ranks 41<sup>st</sup> among all states in 2004 based on labor force participation for non-whites as compared to whites. One possible reason is that Pennsylvania minorities are more concentrated in depressed urban neighborhoods, and less likely to live in suburban areas, than minorities nationally.

### SUBSIDIES FOR BUSINESSES TO CREATE JOBS

To create jobs, Pennsylvania devotes large amounts of money to chasing smokestacks—and call centers and warehouses and virtually any other business that might move to the Commonwealth and then sell in multi-state, national, or international markets. Pennsylvania began this practice in the 1950s, prompted by rates of joblessness in mining regions on a par with the Great Depression. Based in part on its generous subsidy programs, Pennsylvania ranks fifth in per capita economic development funding, spending three times the national average.<sup>52</sup>

### Few Wage Standards

There are several problems with Pennsylvania's business tax incentive and subsidy programs. First, except for Opportunity Grant Program and Customized Job Training regulations that require

businesses to pay at least 1.5 times the minimum wage, subsidy programs do not require that businesses receiving subsidies pay decently or offer health insurance. One study found that two out of five companies expected to pay less than 80 percent of the average wage in their industry and county (Figure 3-6).<sup>53</sup>

### Failure to Target Subsidies to Low-Income Areas

Except for the Pennsylvania Industrial Development Authority's offer of lower interest rates to counties with higher unemployment, Pennsylvania's business subsidy programs do not target areas with higher joblessness and concentrations of low-income workers. In the absence of such targetting, some grants and loans go to "greenfield" development in affluent suburbs. A study by Keystone Research Center for the Brookings Institution found that

per capita assistance to newer, outlying (and often affluent) suburbs was identical to per capita assistance to older communities (i.e., cities, inner suburbs, and older towns) that tend to be lower income.<sup>54</sup>

Similar research has not been conducted regarding the Commonwealth's tax incentive programs. Anecdotal evidence, however, indicates that the tax incentive programs do sometimes subsidize development well beyond the high-poverty or blighted areas originally targeted for tax advantages. These programs also ignore the ability to use tax credits as an incentive for employers to make training available to low-income workers.<sup>55</sup>

Some of the newer economic development programs established as part of the Pennsylvania's economic stimulus program, and overseen by the Commonwealth Finance

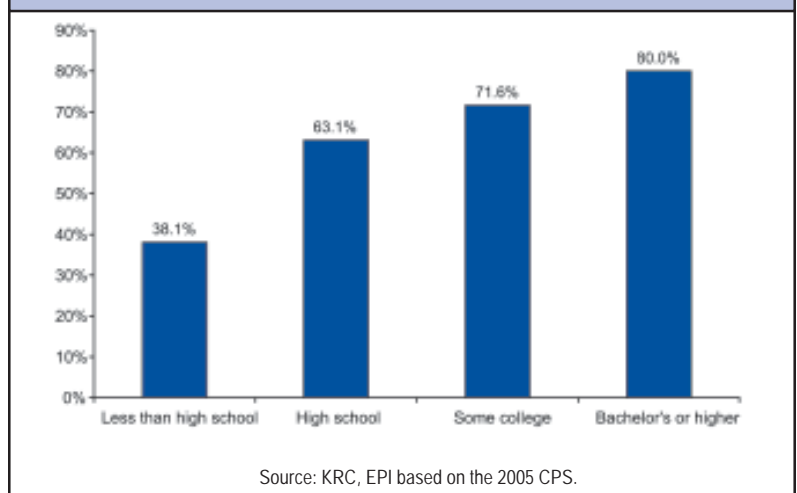
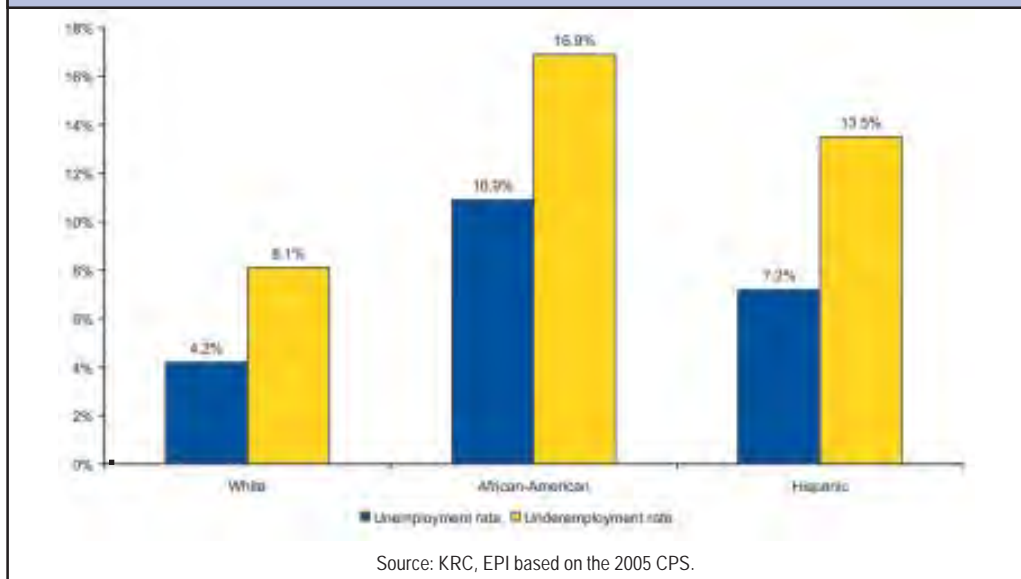
Figure 3-4  
Labor Force Participation by Education Level





Figure 3-5  
Unemployment and Underemployment in Pennsylvania by Race/Ethnicity, 2005



Authority, may better target older communities (see Box 3-1). At present, however, no geographical assessment of the investments of these programs has been published. Concerns also exist that a requirement that all four legislative caucuses and the Rendell Administration sign off on each economic stimulus project may lead to political horse trading that undercuts focused investment in places where it is most needed.

#### No Disclosure Requirements

A third problem of subsidy and tax incentive programs is a lack of disclosure requirements. Pennsylvania's business subsidy and tax incentive programs do not require public disclosure of job and wage outcomes, information regarding the business site's location, or information on its land-use characteristics. Transparency is an even greater problem for economic development assistance given through economic stimulus programs overseen by the Commonwealth Finance Authority (CFA). All four legislative caucuses as well as the gubernatorial administration must approve CFA projects. This method is perceived to contribute to political horse-trading and the approval of projects favored by each caucus without any overarching policy logic.

#### A Step Towards Subsidy Accountability

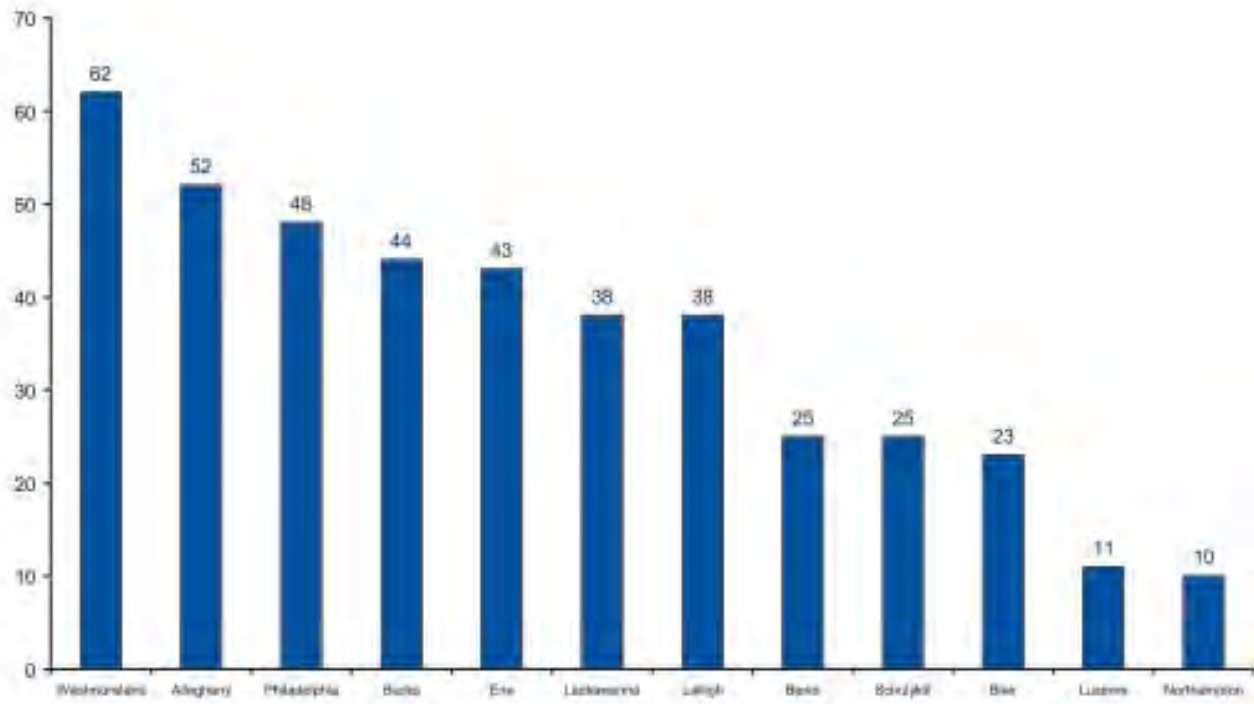
To better focus Commonwealth economic development investment, the Rendell Administration developed the "Keystone Investment Principles." Two of the 10 principles express the Commonwealth's intent to "redevelop first" and "provide efficient infrastructure"—i.e., to target older communities for future economic and community development dollars that can support existing roads, sewer and water lines, and other infrastructure. Another principle, "create job opportunities," highlights the need to invest in businesses that offer good paying, high quality jobs located in areas accessible to existing workers and transportation access, including public transit.

#### ECONOMIC DEVELOPMENT FOR THE FUTURE: CREATING A NEXT GENERATION ECONOMY

Over the past 25 years, Pennsylvania has broadened its approach to economic development beyond offering incentives to attract new businesses.<sup>56</sup> Its effort began in the early 1980s when Pennsylvania established the Ben Franklin Technology Partnership program to support new technology startups and the transfer of new ideas from universities into



Figure 3-6  
Subsidized Projects Generating Low-Quality Jobs in Counties Receiving Eight or More Subsidies



Projects defined as low-quality if businesses report projected payroll per job below 80 percent of the industry average for the county. Source: David H. Bradley, Many Pennsylvania Industrial Development Authority Loans Create Low-Quality Jobs (Harrisburg, Keystone Research Center, 2002).

industry. Later in the 1980s, the Commonwealth established a manufacturing extension service through a network of Industrial Resource Centers (IRCs) that deliver low-cost technical assistance to small and medium-sized manufacturers.

Beginning in 2003, the state has also invested in “Keystone Innovation Zones,” which reward collaboration between university- and industry-based researchers and engineers. Most Keystone Innovation Zones are in central cities, where they capitalize on “dense” concentrations of researchers while

stimulating real estate, business and retail service development that could offer opportunities to low-income families.

### Targeting Industry Clusters

Some new economic development initiatives also focus on industries rather than just on individual firms - one initiative in renewable energy and one each in the low-wage industries of tourism and agriculture. In the energy area, a new state law requires utility companies to obtain 18 percent of their electricity from “advanced energy” sources, including renewable energy, by 2019.<sup>57</sup> To support

## BOX 3-1: PENNSYLVANIA BUSINESS SUBSIDIES

The most prominent Pennsylvania business subsidies include the Opportunity Grant program, which funds any business cost linked with job creation; the Infrastructure Development Program, which funds infrastructure tied to new business sites; the Pennsylvania Industrial Development Authority (PIDA) program, established in 1956 to help coal regions rebound, and which provides low-interest loans to individual businesses, industrial parks, and other multi-site facilities; and the Customized Job Training (CJT) program, which pays for training. Pennsylvania established another group of grant and loan programs, financed by state bonds, through the “economic stimulus” enacted at the end of 2003.

Pennsylvania also has two main business tax incentive programs. The Keystone Opportunity Zones (KOZ) program eliminates certain state and local taxes for business, residents, and property owners within designated zones. The Tax Increment Financing (TIF) program allows beneficiaries (most often real estate developers) to avoid increases in local property taxes when a property is improved. Some of these programs specifically aim at cleaning up ‘brownfield’ industrial sites within older communities and revitalizing the downtowns of older communities.

agriculture and tourism, the state established a “First Industries” fund that gives out a mix of subsidies to individual businesses, and planning grants and implementation dollars for community or multi-company initiatives. The Department of Conservation and Natural Resources (DCNR) is also seeking to “brand” and market the state’s rich natural resources and attract more eco-tourists.

Another new initiative, the “Wall Street West” project in nine Northeastern Pennsylvania counties, targets a new industry cluster as part of an effort to bring economic and workforce development programs together behind an overall regional economic development strategy. Wall Street West launched in 2006 with support from a \$15 million federal WIRED (Workforce Innovation in Regional Economic Development) grant. The project aims to make the region a center of backup “back office” operations needed by financial service firms in the wake of 9-11. The federal grant pays for a high-speed fiber-optic system. It complements efforts of education, workforce development, and economic development programs to create a pool of computer technicians and IT managers. Low-income workers and families should be among those trained and placed in new family-supporting “back office” and IT careers.

### An Economy for One Pennsylvania: RECOMMENDATIONS

Pennsylvania suffers from a lack of jobs that fill the hole left behind by manufacturing. While the service sector has grown, wages have not grown with it. After a history of haphazard business funding, Pennsylvania is beginning to target specific industries. However, Pennsylvania needs to continue spending its subsidy dollars wisely and to hold employers accountable for the funding they receive. The following recommendations would enable Pennsylvania to implement a next generation “Worker and Community Ready” economic development strategy benefiting hard-working families while also boosting the state’s competitiveness. By generating more jobs that workers want, this would complement a “Job Ready” workforce strategy that develops skills that companies want.

#### RECOMMENDATION #1

##### Implement Business Subsidy Accountability

- Hold businesses accountable for the money invested in them. To ensure that working families, including low-income ones, benefit from economic opportunities, Pennsylvania must be assured its money is invested wisely. The accountability measures needed, already in place in many other states and localities, include disclosure requirements, wage and benefit standards, and better targeting of incentives to low-income communities and locations accessible to public

transit.<sup>58</sup> Businesses should also be required to give TANF recipients and dislocated workers first opportunity to apply for jobs that receive state funds. Accountability reforms would put into practice the Keystone Investment Principles that are already policy in the state.

#### RECOMMENDATION #2

##### Assess Job Quality in Industries Receiving Economic Development Support

A hallmark of next generation economic development is a shift of economic development resources from subsidies for individual companies to investments in key industries. To more substantially benefit low-wage workers, this shift should be accompanied by efforts to evaluate and improve jobs in industries in which the state invests. Such efforts are especially important in industries in which many jobs pay low wages and benefits.

- Conduct baseline assessments of jobs and economic opportunity in industries that are the focus of economic development efforts. Pennsylvania should especially focus on those industries that have not already been examined by the Department of Labor and Industry’s targeted IP cluster analysis. Obvious candidates are tourism, gambling, and agriculture, which are all low-wage industries. (While agriculture is a subcluster within the targeted Agriculture and Food Processing industry, lack of data has so far limited analysis of its jobs and careers.) Construction and manufacturing in rural areas are other underanalyzed industries to which the state provides substantial financial assistance or project funds. These baseline assessments should profile wages, benefits, skill levels, career paths, workforce turnover, and organizational and human resource practices within each industry. They should also analyze how much job quality and human resource practices vary. Profiling the employers with the best jobs and career opportunities, and understanding how their market niches, business strategies, and human resource practices enable them create better-than-typical jobs, is a first step towards designing interventions that improve the quality of other employers’ jobs.

- Fund stakeholder analysis of how job quality can be improved. Baseline analysis should be followed by an evaluation of how workers, consumers, and employers might all benefit from improving job quality and workforce skills and productivity. The right balance of employee and employer representation on advisory groups for such assessments is critical to achieving real sensitivity to low-income workers and strong engagement from industry leaders. To help bring more attention to job quality in regional and industry initiatives, the state Department of Labor and Industry should develop new tools that track (by industry) wages, benefits, and the share of workers who are low-income.



## CHAPTER 4

# Making Self-Sufficiency Real in the New Economy

**I**n the richest country in the world, in a time of rapidly growing productivity, too many Pennsylvanians who work hard and play by the rules do not earn enough to support their families.

Better education, training, and economic development policies can help. However, Pennsylvania must also address the earnings and benefits that low-wage workers obtain through their job.

Public policies that encourage and reward work (hereafter, “work supports”) also need to be strengthened and adapted to fit the changing realities of today’s economy. For example, dual-earner and single parent households are becoming the standard across the country, yet child care for working families remains underfunded. As fewer employers each year offer health care, more and more hard-working families fall through the cracks by earning too much for state-supported care but too little to afford private insurance.

Pennsylvania can also bolster its working families by overhauling the state tax system, which is one of the most regressive in the country. For the benefit of the lowest-income working families and those on the edge of self-sufficiency, changes are necessary to shift Pennsylvania tax payments towards families with greater ability to pay.

### CURRENT PUBLIC POLICY LEADS TO LOW PAY

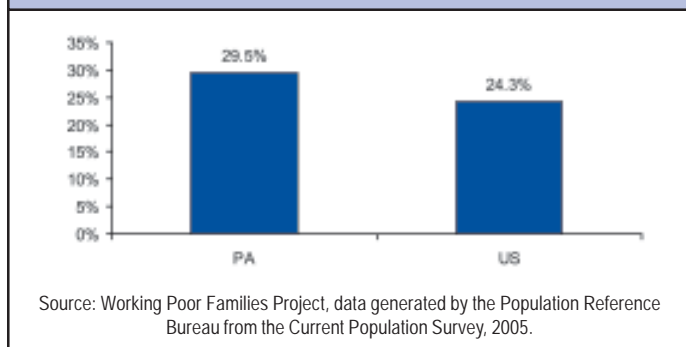
At the core of persisting poverty and low-income status among Pennsylvania’s working families is low pay. Chapter 1 documented that earnings for typical low-wage workers are lower today than they were in 1979. Chapter 3 showed that working members of low-income families perform critical jobs on which the rest of Pennsylvania depends: child care workers and home health aides, janitors and housekeepers, temporary office workers and restaurant servers.

Whether we realize it or not, the wages of these workers are already powerfully influenced by public policy at the national, state, and local level. Many low-wage workers—such as direct care workers and providers of contract services to schools and other government—are paid directly or indirectly with public funds. For other low-wage workers, the “market” for low-wage workers is shaped by basic labor standards (such as the minimum wage) and their enforcement, laws governing the formation of unions and collective bargaining, trade and immigration policies, and decisions by the Federal Reserve Bank that heat or cool the overall economy.

### Raising Wages: Policies for the Future

Since the late 1970s, public policies at the national and state level have largely been unfavorable to low-wage

Figure 4-1  
Percent of All Workers 18 and Over in Low-Wage Jobs



workers. The minimum wage has not kept pace with inflation, nor has it increased with productivity growth as it did from 1938-68. Policies such as these help explain the flat wages and the stubborn persistence of low-income status among working families (Figure 4-1).<sup>59</sup> Even if productivity continues to grow steadily, labor market evidence suggests that pre-tax wages for low-wage workers will not rise substantially without new policies more favorable to low-income workers. Creative public policies, as outlined at the end of this chapter, would seek to craft and implement such policies in ways that benefit not only low-income families but also businesses, consumers, and the economy as a whole.

#### BENEFITS FOR LOW-INCOME PENNSYLVANIANS: JOB-RELATED ASSISTANCE

Workers at the low end of the job market also receive little in the way of job-related benefits. While health care and pension benefits are decreasing for workers generally, they are decreasing most for low-income families and low-wage workers.

Publicly funded work supports—child care, health care, unemployment benefits, and paid leave—can plug some benefit gaps and provide a foundation for families attempting to move towards, or back to, self-sufficiency. A central challenge is to meet the immediate and most pressing needs of working families today but to do so in a way that builds towards the fundamental reform of Pennsylvania public benefit programs to fit the realities of today's economy and family structures.

#### A Waiting List for Child Care for Working Families

Pennsylvania's public investment in child care has risen steadily, as has its commitment to nurturing the Commonwealth's children (Figure 4-2). The Commonwealth is close to completing an overhaul of its subsidized child care system to create a single access point for families who seek service. However, Pennsylvania's counties continue to maintain waiting lists for subsidized child care. In August 2006, approximately 5,000 children

awaited placement.<sup>60</sup> In the meantime, many parents of waiting list children patch together care among relatives and friends, leave children unsupervised, or pay more than they can afford for market-rate slots. Once they do receive subsidized child care, most parents still need to provide a co-pay, even if they earn below the federal poverty line.<sup>61</sup>

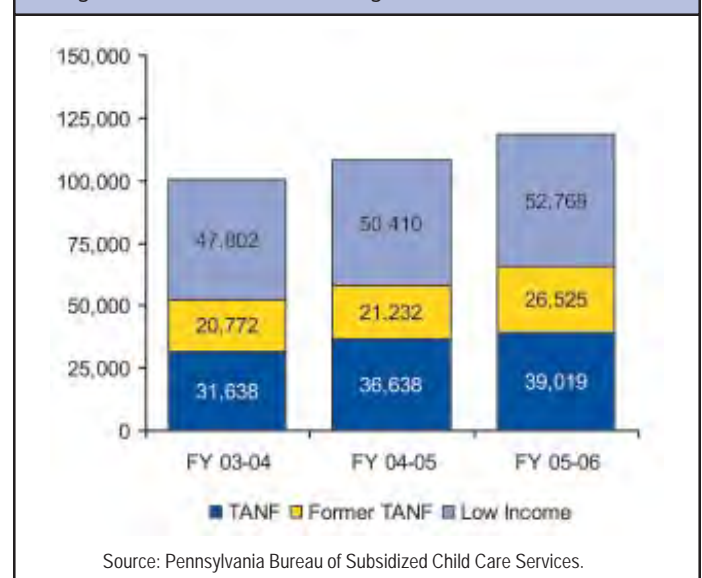
To qualify for subsidized child care in Pennsylvania, a family's income must be below 200% of the Federal poverty line. Once a family enrolls, it remains eligible until reaching 235% of the poverty line. Under federal law, Pennsylvania could allow eligibility for child care until families earn 85 percent of the Commonwealth's median income. Instead, eligibility only continues up to 55 percent of the median income.<sup>62</sup>

#### A Waiting List for Health Care for Working Adults

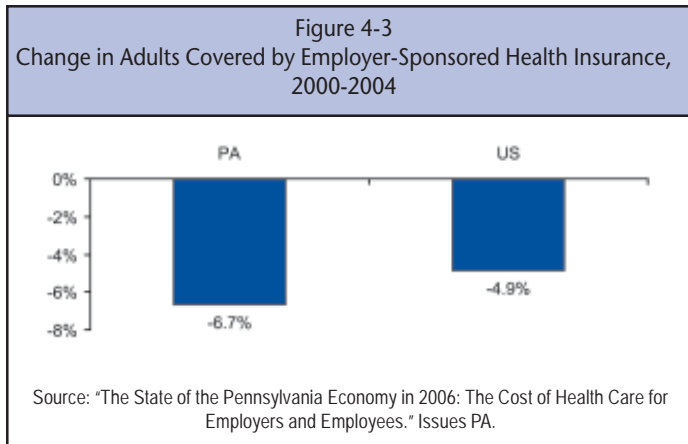
All working families must cope with illnesses, and Pennsylvania's low-income families are no exception. In the Commonwealth, health insurance for adults is a large concern. An estimated 31 percent of Pennsylvania's low-income working families have at least one parent who received no health care benefits from either their employer or the state.<sup>63</sup> In all, 70 percent of uninsured Pennsylvanians are people who work.<sup>64</sup> Between 2000 and 2004, in Pennsylvania, coverage through employer-sponsored health insurance decreased by over 400,000 adults, a larger decline than shown by any other state (Figure 4-3).<sup>65</sup>

While Pennsylvania offers limited coverage to adults in the Commonwealth, the need is outpacing the services provided. Most insurance for adults comes through a program known as adultBasic. This program provides a limited package of benefits to low-income adults ineligible

Figure 4-2  
Average Number of Children Receiving Subsidized Child Care Per Month







for other state-funded medical programs and unable to get insurance. Participants make co-payments when they receive services and pay a monthly premium.

Within the first six months of operations, the Pennsylvania Insurance Department had received 70,000 adultBasic applications; by 2003, demand outstripped availability, leading to the creation of a waiting list. While enrollment

was extended to an additional 30,000 adults on the waiting list in 2006, many still await coverage. Individuals on the waiting list can choose to pay the full premium out of pocket to receive coverage, and over 2,000 were doing so by the end of 2005.<sup>66</sup> Many more Pennsylvanians beyond those on the waiting list could qualify for the program—the Pennsylvania Insurance Department estimates that between 300,000 and 350,000 people qualify for adultBasic coverage in the Commonwealth.<sup>67</sup>

For those workers who qualify for Medical Assistance (MA)/Medicaid, another option is available if they have access to employment-related health coverage the Health Insurance Premium Program (HIPP). If paying the premium for employment-related insurance is considered more cost effective than signing up for MA, the workers can receive coverage by having the Commonwealth pay their premium.

#### **BOX 4-1: A NEW PENNSYLVANIA UNION IN EARLY CHILDHOOD EDUCATION**

In keeping with its rich history of industrial and social innovation, Pennsylvania is at the forefront of the effort in the United States to reinvent labor unionism to fit with today's new economy, and to grow. This reinvention could be critical to achieving self-sufficiency for the next generation of working families, particularly those working in low-income industries.

One model Pennsylvania "new" union, Philadelphia's United Child Care Union, was born in 1998. Its founding leaders had no experience as union organizers but decades of experience as early childhood teachers and directors. Their interest in a union grew out of frustration with traditional advocacy for investment in early childhood education. They saw innovative unions as a new way to transform the field from poorly paid jobs and uneven educational quality to family supporting careers and high-quality pre-school for all children and families.

For UCCU leaders, traditional manufacturing unionism had no relevance to their field. What they sought instead was a union model that would bring the entire field of committed, licensed child care providers together – in family day care as well as centers— to make the case for more investment in early childhood education. UCCU has also sought to develop ways for the industry to access more affordable benefits, strengthen training and career ladders, and promote good human resource practices. The "collective identity" of the union in the UCCU vision is not hostility to management but members' shared commitment to quality education and to children. Today in Pennsylvania, UCCU is a partner in a statewide effort to organize all family child care providers, under the banner of Child Care Providers Together.

Outside ECE, the UCCU model is most directly adaptable to other parts of publicly subsidized direct care. In parts of the private services, too — acute health care and hospitality, retail and office work — unions that build on workers' commitment to service, help employers access affordable benefits, and train workers could benefit business and consumers as well as workers. They could strengthen the economy while also making it more equitable.

In the debate about how to repair the broken link between a strong economy and the well-being of the middle class, a much fuller exploration of new forms of worker representation is overdue. This exploration could help answer how we transform today's low-wage jobs into tomorrow's middle-class jobs.



### **Unemployment Insurance (UI): A Frayed Safety Net for Working Families**

Pennsylvania has a strong and generous UI system relative to other states, but that is a very low standard. The Pennsylvania system still leaves many workers uncovered: 49 percent of Pennsylvania's unemployed received no unemployment benefits in the 3<sup>rd</sup> quarter of 2005.<sup>68</sup> One gap in Pennsylvania's "better-than-average" coverage is specifically for workers victimized by domestic violence (Pennsylvania does have a specific unemployment measure to help families facing "undue hardship"). Some abusers use the workplace to reach victims outside the home through stalking, phone harassment, and verbal or physical attacks.<sup>69</sup> Partly as a result, some victims must leave their jobs as well as their homes to escape an abuser (Figure 4-4).<sup>70</sup> They should be entitled to UI when this occurs.

To determine how much to provide in unemployment benefits, Pennsylvania relies on a "base year" consisting of the four quarters before the last full quarter worked before applying for benefits. The base year calculation thus disregards the most recent earnings. If workers do not have enough earnings during the base year to qualify for benefits (for instance, if they started work recently or worked irregular hours), they need to wait until their most recent earnings fall into the base year. The waiting period may be as long as six months.

This method causes few delays for higher-wage employees displaced from a long-term job, and may even help them if the base year includes longer hours and more overtime than the last full quarter prior to displacement. But the system hurts low-wage workers who experience short spells in several service sector jobs—a large and growing segment most in need of coverage.

Pennsylvania's UI system limits the circumstances in which it provides income. In particular, if workers displaced from a good job are in long-term training for a "high priority occupation" (see

chapter 2) that offers a legitimate chance at self-sufficiency, benefits are not available to make ends meet until they begin their new employment.

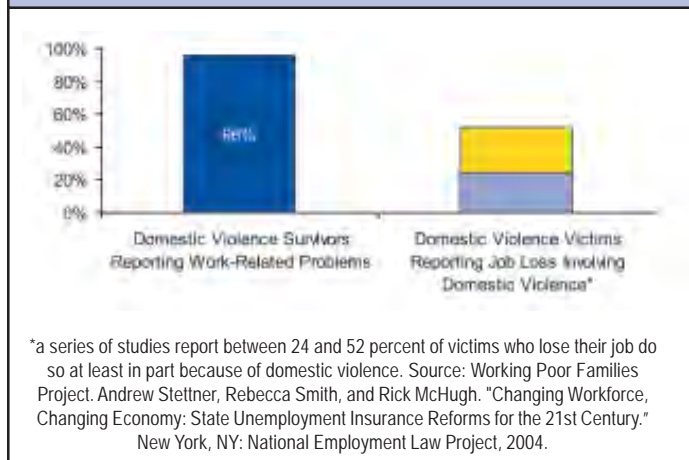
An "employment and income insurance" system more suited to today's economy would allow workers to receive benefits in a more flexible range of circumstances and would also enable more workers to take the long-term training needed for self-sufficiency *and* to plug critical skill gaps for employers. For example, dislocated factory workers could receive a wage supplement during the first part of a carpentry apprenticeship program. This would maintain workers' income while their pay as an apprentice phases up to 100 percent of a journeyperson's wage. Similarly, dislocated coal miners could receive income support while training to become a nurse (a fairly established transition path that capitalizes on the overlap in social skills and teamwork required in coal mining and nursing). This kind of mix of long-term training and a temporary income supplement would create a trampoline for workers instead of a safety net.

### **Temporary Disability and Paid Leave**

For some workers, the problem is not one of long-term unemployment but short-term absences from work caused by their own illness or illness within the family. Unless temporary disability or paid sick leave is offered through their employer, many employees cannot afford to take the time off they will need.

The need for leave is widespread: over one-third of families endure two weeks per year (or more) of family illness.<sup>71</sup> Since there are no requirements for employers to offer paid sick leave for families, families must often decide between caring for their children and maintaining their income. Problems particularly affect low-income workers, who in many cases have little job security—even if they choose their family and take leave without pay, their job may not be waiting for them when they return. Although some families have access to leave through the Family

Figure 4-4  
Job Loss and Domestic Violence



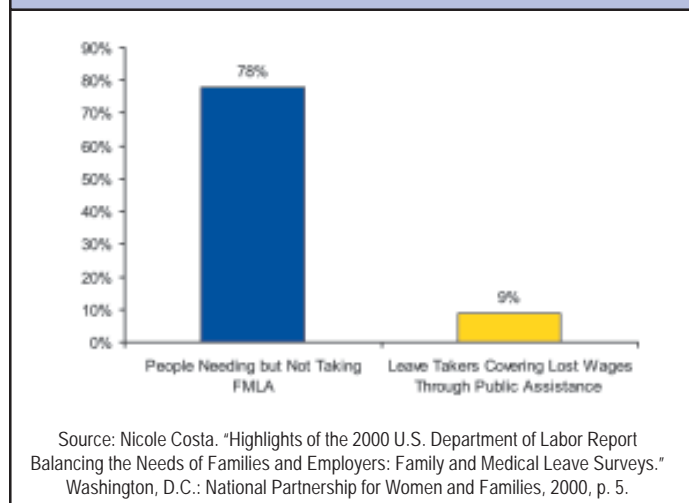
and Medical Leave Act (FMLA), which can be used in small increments, the unpaid nature of this leave prevents many from taking advantage of it (Figure 4-5).<sup>72</sup>

Six states fund some categories of paid leave through "temporary disability" programs linked with the unemployment insurance system.<sup>73</sup> Some other states have separate temporary disability insurance programs.

### PENNSYLVANIA'S TAX SYSTEM: BURDENING THE POOR

Pennsylvania's tax system is one of the most regressive in the country. Families in the bottom three-fifths of the income curve take on more of the tax burden than wealthier families due to the Commonwealth's uniformity clause, which requires a single "flat" income tax rate and outlaws graduated income tax rates.

Figure 4-5  
FMLA and Families



An exemption to the uniformity clause for "poverty" has allowed the state to enact a "tax forgiveness" system. For those families that qualify for income-tax forgiveness, the system eliminates state income taxes up to roughly 200 percent of the poverty line.<sup>74</sup> According to the Pennsylvania Department of Revenue website, almost one in four Pennsylvania households qualifies for Tax Forgiveness.<sup>75</sup> The program, however, appears to be underutilized.<sup>76</sup> In addition, the income-tax forgiveness program phases out quickly from forgiveness to payment on every dollar of their income. Thus, for a family of four, state taxes rise quickly from zero to over \$1,000 at the same time the family's income begins reaching self-sufficiency.

Pennsylvania residents can also file for the federal Earned Income Tax Credit (EITC), which allows qualified working families to receive refundable tax credits based on their earnings and the number of dependents in their household. The EITC only counts up to two dependents when determining credits, and usually benefits working families as opposed to single earners.

EITC participation has been growing in Pennsylvania. However, the program is still underutilized in the Commonwealth. Moreover, unlike many other states, Pennsylvania does not have a state EITC that mirrors the federal EITC and provides a *refundable* tax credit for low-income working families.

### Making Self-Sufficiency Real in the New Economy: RECOMMENDATIONS

Pennsylvania faces a number of challenges in making self-sufficiency real for working families. Pennsylvania needs to address the disconnect between its policies and the people those policies affect, specifically dual-earner and single parent families. While the Commonwealth has just increased its minimum wage, unlike an increasing number of other states it has not yet protected its minimum wage against erosion by inflation. Similarly, the Commonwealth has made some progress in funding child care and health care, but needs to promote long-term solutions to these ever-present issues for working families. When parents are trying to earn enough to pay for their children's future education, housing, and clothing, they should not need to mortgage their children's present to substandard care. Finally, Pennsylvania needs to institute an unemployment and tax system that work to support people in reaching self-sufficiency rather than one which penalizes them for making choices that lead to family-sustaining wages.

## RECOMMENDATION #1

### Focus on Increasing the Pay of Working Families

While Pennsylvania succeeded in passing an increased minimum wage in 2006, more work needs to be done to ensure that work provides the wages that families need to be self-sufficient. To reach this goal, Pennsylvania should:

Index the minimum wage to the cost-of-living. Pennsylvania legislators already receive automatic increases related to the cost of living. Similarly, Pennsylvania's workers should receive the same benefits, allowing wages to keep pace with inflation.

Establish a new Task Force for Working Families to explore the full range of institutional changes and public policies that might alter the pre-tax distribution of earnings. In the first Rendell Administration, a Task Force for Working Families explored how financial literacy and other policies might help more families achieve self-sufficiency. In light of the continuing gap between wages and productivity growth, Pennsylvania needs a new Task Force that focuses squarely on how to increase wages, especially at the low end. The goal should also be to craft policies that can pay off economically—raising productivity, quality, and service—and benefit businesses and consumers as well as workers and families. This Task Force should address:

- ▶ The need for state or local living-wage ordinances that ensure that government funds do not contribute to the creation of jobs that cannot meet self-sufficiency standards.
- ▶ The benefits of industry- or occupation-specific wage standards, including the potential of these to promote competition based on raising productivity, quality, and service.
- ▶ The enforcement of pay equity standards to ensure that men and women receive equal pay for equal jobs.
- ▶ The need for stronger worker voice in low-wage industries and occupations, including “worker centers” and labor unions.
- ▶ The need to track self-sufficiency more systematically (statewide, by region and county, and by industry and occupation) and publish the findings in a biannual *State of Pennsylvania Working Low-Income Families* report. This tracking and report could provide that foundation of information and analysis essential to continuously improve and strengthen policies that promote self-sufficiency.

## RECOMMENDATION #2

### Increase Quality Child Care

Pennsylvania faces three inter-related challenges: paying enough to lift those delivering child care and their families to self-sufficiency; paying enough to attract and retain professionals that can deliver quality care; and creating affordable enough slots for the children of parents who work but cannot afford quality care on their own.

Expand state resources for subsidized child care for working families. While the Commonwealth has made good progress with bipartisan support in the last several years, there is more progress to be made. State resources for quality care must continue to grow, with a balanced expansion of regulated family-run daycare that meets high quality standards and offers flexibility to parents who work outside of traditional business hours.

## RECOMMENDATION #3

### Promote Comprehensive Health Care Reform

Pennsylvania should implement short-term policies for health care while considering a long-term approach to reform.

Expand funding for adultBasic. The U.S. and Pennsylvania systems of employer-based health care coverage are badly frayed if not completely broken. A short-run priority should be to maintain and expand health insurance programs for adults (adultBasic) that plug widening holes left by private sector health coverage.

Mandate that employers provide health care if they receive state subsidies, deliver contracted services, or employ large numbers of workers who rely on Medicaid through the state. Another short-term solution is to ensure that Pennsylvania's subsidies only fund employers whose employees have access to fair pay and fair benefits.

Provide assistance to workers who cannot afford their insurance premiums. Pennsylvania's insurance program for children (CHIP) assists families who cannot afford to pay private insurance premiums for their children's health insurance. Building on CHIP, the Cover All Kids initiative seeks to make health care accessible for all children in the Commonwealth. In the same spirit, the Commonwealth could make health insurance accessible to more working adults by building on the HIPPP program, which pays part of the premium for an employer-based plan if working parents cannot afford it.<sup>77</sup> This could be accomplished by raising the income eligibility thresholds for insurance programs and establishing similar policies to HIPPP.

Consider proposals for comprehensive health-care reform. Long run comprehensive health care reform should eliminate administrative waste, promote continuous



efficiency and quality improvement within health care organizations, and include more investment in preventive health care. An increasing number of states have begun to develop and, in some cases, implement comprehensive health care reform. Pennsylvania should study the feasibility of the full range of state-level proposals, including the Massachusetts' mandated health care plan and proposals to establish pooled portable insurance plans through the state.<sup>78</sup>

#### RECOMMENDATION #4

##### Create an Employment and Income Insurance System

Modernize eligibility for unemployment benefits. The current unemployment system most benefits traditional workers who lost employment after months of consistent work. Pennsylvania must modernize this system to meet the new needs of its workers, particularly those most likely to be living paycheck to paycheck. The Pennsylvania Department of Labor and Industry should establish a stakeholder process designed to develop recommendations for reform of the state's unemployment insurance system. This process should evaluate the following:

- Creating an alternative base period that enables more low-wage workers with intermittent employment to qualify for benefits.
- Extending benefits to victims of domestic violence.
- Providing benefits to workers in education and training for high-priority occupations.
- Providing temporary wage insurance for dislocated workers enabling them to maintain their income if they take a new and lower-wage job.
- Establishing a broad program that gives workers an option to perform valuable jobs (e.g., energy audits for low-income housing) in exchange for higher unemployment benefits. Incorporating more higher-skill workers into such a program would reduce the stigma for low-wage workers of gaining work experience through such public programs.

Paid Family and Medical Leave: In order to meet the needs of working low-income families, Pennsylvania should consider two types of paid leave programs to better assist workers and employers. While a few examples of paid sick leave and paid family leave exist across the country, Pennsylvania can still be one of the first to provide these programs.

- Create a minimum standard for paid sick days. In Pennsylvania, even full-time workers do not necessarily earn sick leave to care for themselves or their children. Pennsylvania should require employers to offer at least one hour of sick leave for every thirty-five hours worked, similar to the bill that was passed in San Francisco in November 2006.

- Establish paid leave when employees use time under Family and Medical Leave. In California, workers earn paid family and medical leave for up to six weeks. Workers fund this program through a small payroll tax administered by the same state department that handles unemployment and disability claims.<sup>79</sup> Pennsylvania can create a similar program that provides benefits to workers who must take leave for longer periods of time.

#### RECOMMENDATION #5

##### Allow Personal Exemptions in the State's Personal Income Tax System and Institute a State EITC

Pennsylvania already eliminates state personal income taxes for the lowest-income Pennsylvanians through its Tax Forgiveness program. Even with this program, Pennsylvania's tax system requires low-income families to pay a much larger share of their income in taxes than high-income families.

- Establish a state EITC. This program should mirror the federal EITC program and provides an additional incentive for work. Several lawmakers have already introduced legislation calling for a state EITC.
- Promote the Federal EITC and State Tax Forgiveness Program. The already existing Federal EITC program and State Tax Forgiveness Program provides an excellent opportunity for low-income working families to receive more of the money they earn each year. Anecdotal evidence shows that many Pennsylvanians do not take advantage of the programs available to them, in part because they lack education about the programs. In addition to promoting these programs through advertisements and announcements, Pennsylvania should also sponsor more free tax processing to allow low-income working families access to tax services besides predatory tax preparation operations.

Another flaw with Tax Forgiveness is that working families lose this relief just as they approach self-sufficiency. To prevent this, Pennsylvania should

- Change the state constitution to permit personal exemptions that eliminate taxes on the first part of income for all taxpayers. This change was recommended in 2004 by a business-labor tax study, the PA21 project. Exemptions could be designed so that families are taxed only on the income above the current Tax Forgiveness thresholds. Thus, a family earning \$40,000 would pay taxes on a few thousand dollars, not the full \$40,000. The state could also explore a constitutional change that would permit two tax rates, a simple change that would also facilitate shifting taxation to individuals with greater ability to pay.

# Endnotes

- <sup>1</sup> Working Poor Families Project, data generated by the Population Reference Bureau from the American Community Survey, 2004.
- <sup>2</sup> Working Poor Families Project, data generated by the Population Reference Bureau from the American Community Survey, 2004.
- <sup>3</sup> Working Poor Families Project, data generated by the Population Reference Bureau from the American Community Survey, 2004.
- <sup>4</sup> Working Poor Families Project, data generated by the Population Reference Bureau from the American Community Survey, 2004.
- <sup>5</sup> KRC analysis of the American Community Survey, 2005.
- <sup>6</sup> Working Poor Families Project, data generated by the Populations Reference Bureau from the American Community Survey, 2004.
- <sup>7</sup> Working Poor Families Project, data generated by the Population Reference Bureau from the American Community Survey, 2004.
- <sup>8</sup> Calculated based on data in Mark Price and Stephen Herzenberg, *Stuck on the Low Rung of the Wage Ladder* (Harrisburg: Keystone Research Center), briefing paper, February 2006.
- <sup>9</sup> Working Poor Families Project, data generated by the Population Reference Bureau analyzing 2004 American Community Survey PUMS, 2004.
- <sup>10</sup> Working Poor Families Project, data generated by the Population Reference Bureau, 2004.
- <sup>11</sup> Figure shows three-year averages, so that the ratio for 1980 equals the average of the ratio for 1979, 1980, and 1981, and so on. Keystone Research Center based on the CPS.
- <sup>12</sup> Source: KRC analysis of CPS data.
- <sup>13</sup> Every 1 percent increase in the share of the population with post-secondary education is associated with a 1.5 percent increase in job growth. This is based on Keystone Research Center analysis using the Current Population Survey. Edward L. Glaeser, Jose A. Scheinkman, and Andrei Shleifer, "Economic Growth in a Cross-section of Cities," *Journal of Monetary Economics*, Vol. 36, 1995, pp. 117-143, also find that the level of education of the population of cities and metropolitan areas affected their population growth rates from 1960-1990 and that sub-baccalaureate education was more strongly related to growth than was education at higher levels.
- <sup>14</sup> Working Poor Families Project, data generated from the American Community Survey, 2004.
- <sup>15</sup> Working Poor Families Project, data generated from the American Community Survey, 2004.
- <sup>16</sup> *Measuring Up 2006: The National Report Card on Higher Education*. San Jose, CA: National Center for Public Policy and Higher Education, 2006, Available at [www.highereducation.org](http://www.highereducation.org). Accessed on 11/16/06.
- <sup>17</sup> Working Poor Families Project, data generated from the American Community Survey, 2004.
- <sup>18</sup> *Measuring Up 2006: The National Report Card on Higher Education*. San Jose, CA: National Center for Public Policy and Higher Education, 2006, Available at [www.highereducation.org](http://www.highereducation.org). Accessed on 11/16/06.
- <sup>19</sup> KRC analysis of CPS data.
- <sup>20</sup> The ranking is from the Integrated Post-secondary Education Data System (IPEDS) of the National Center for Education Statistics, part of the U.S. Department of Education. Statistics in this paragraph were calculated by the Keystone Research Center based on state-level data provided by the American Association of Community Colleges.
- <sup>21</sup> Working Poor Families Project, from FutureWorks, April 2002.
- <sup>22</sup> The state defines an initial list of HPOs in each industry cluster using labor market data that indicate whether occupations have sufficient numbers of openings, have shortages (unemployment, recent employment growth, wage growth, and the ratio of workers trained for the occupation to the number of job openings) and whether they pay wages about 200 percent of the poverty line. This list is then modified in some cases by information from industry experts, Industry Partnerships, or other local practitioners.
- <sup>23</sup> *Blueprint for Change 2006: Adult Basic and Literacy Education Services in Pennsylvania*. Harrisburg, PA: ABLE, 2006 (draft copy), p. 16.
- <sup>24</sup> Working Poor Families staff, data generated from the National Institute for Literacy, 1993.
- <sup>25</sup> Wenfan Yan, Ph.D. "Adult Education in Rural Pennsylvania." Harrisburg, PA: The Center for Rural Pennsylvania, 2006, p. 5. Available at [www.ruralpa.org](http://www.ruralpa.org). Accessed 10/27/2006.
- <sup>26</sup> Working Poor Families Project, generated from staff analysis of Population Reference Bureau data taken from the American Community Survey, 2002.
- <sup>27</sup> JoAnn Weinberger, Letter to Governor Rendell (10/10/06). Harrisburg, PA: Pennsylvania Association for Adult Education, 2006. From email.

- <sup>28</sup> Working Poor Families Project. Data generated from the U.S. Department of Education, 2004, and Population Reference Bureau, 2004. One source puts the number even lower, at 4 percent (ABLE, per the Department of Education).
- <sup>29</sup> Working Poor Families Project, generated from data from the Community College Policy Center, 2002.
- <sup>30</sup> The Rendell Administration's strategy was informed by a report commissioned by Governor Schweiker, paid for in part by the Ford Foundation, and transmitted by Governor Schweiker to the Governor-elect shortly before the gubernatorial transition. See Chris Benner, Stephen Herzenberg, and Kelly Prince, *A Workforce Development Agenda for Pennsylvania's Next Governor: Building the Infrastructure of a Learning Economy* (Harrisburg: Keystone Research Center, January 2003), online at [www.keystoneresearch.org](http://www.keystoneresearch.org).
- <sup>31</sup> The state defines an initial list of HPOs in each industry cluster using labor market data that indicate whether occupations have sufficient numbers of openings, have shortages (unemployment, recent employment growth, wage growth, and the ratio of workers trained for the occupation to the number of job openings) and whether they pay wages about 200 of the poverty line. This list is then modified in some cases by information from industry experts, Industry Partnerships, or other local practitioners.
- <sup>32</sup> For a concise review of recent studies that measure self-sufficiency among TANF leavers, see *From Poverty to Self-Sufficiency: The Role of Post-secondary Education in Welfare Reform*, The Center for Women Policy Studies, 2002. Available at <http://www.centerwomenpolicy.org/pdfs/POV1.pdf>. Accessed 08/07/06.
- <sup>33</sup> Richard Weishaupt and Anne Mentzer, "The Allocation of TANF and Child Care Funding in Pennsylvania." The Brookings Institution Metropolitan Policy Program, 2006, p. 27.
- <sup>34</sup> Richard Weishaupt and Anne Mentzer, "The Allocation of TANF and Child Care Funding in Pennsylvania." The Brookings Institution Metropolitan Policy Program, 2006, P. 27, 34.
- <sup>35</sup> Working Poor Families Project, data generated from the NGA Center for Best Practices, 2001.
- <sup>36</sup> Working Poor Families Project, data generated from the Center for Law and Social Policy, 2002.
- <sup>37</sup> Elizabeth Lower-Basch, Amy-Ellen Duke, and Allegra Baider, "Model Comments on TANF Interim Final Rule: Education and Training Work Activities." Washington, DC: CLASP, 2006, p. 3. Available at [http://www.clasp.org/publications/edandtraining\\_comments\\_Aug\\_10.pdf](http://www.clasp.org/publications/edandtraining_comments_Aug_10.pdf). Accessed on 11/27/2006.
- <sup>38</sup> Working Poor Families Project, data generated from the Community College Policy Center, 2002.
- <sup>39</sup> Working Poor Families Project, data generated from the Education Commission of the States, Community College Policy Center, 2000.
- <sup>40</sup> Working Poor Families Project, data generated from the US Department of Health and Human Services, PY 2004.
- <sup>41</sup> Even better, measuring success based on *The Self-Sufficiency Standard for Pennsylvania* would create benchmarks showing real self-sufficiency for Pennsylvania's TANF recipients. See Appendix for more on the Self-Sufficiency Standard.
- <sup>42</sup> Elizabeth Lower-Basch, Amy-Ellen Duke, and Allegra Baider, "Model Comments on TANF Interim Final Rule: Education and Training Work Activities." Washington, DC: CLASP, 2006, p. 3. Available at [http://www.clasp.org/publications/edandtraining\\_comments\\_Aug\\_10.pdf](http://www.clasp.org/publications/edandtraining_comments_Aug_10.pdf). Accessed on 11/27/2006.
- <sup>43</sup> For more information on the Self-Sufficiency Standard, please see the Appendix.
- <sup>44</sup> Keystone Research Center analysis of Current Employment Statistics data.
- <sup>45</sup> Working Poor Families Project, data generated from the BLS Occupational Employment Statistics, May and November 2004.
- <sup>46</sup> Working Poor Families Project, data generated by the Population Reference Bureau from the Basic Monthly Current Population Survey, 2005.
- <sup>47</sup> Population Reference Bureau, analysis of 2004 ACS PUMS.
- <sup>48</sup> The unemployment rates in this sentence are seasonally adjusted. Those in the next sentence are not. In both sentences, the rates reported are for August 2006. Civilian Labor Force Packet. Harrisburg, PA: Center for Workforce Information and Analysis, 2006. Available at [http://www.dli.state.pa.us/landi/lib/landi/cwial/releases/clf/clf\\_aug\\_06.pdf](http://www.dli.state.pa.us/landi/lib/landi/cwial/releases/clf/clf_aug_06.pdf). Accessed on 11/16/06.
- <sup>49</sup> KRC: EPI based on the 2005 CPS. Underemployment = (unemployed + those working part-time for economic reasons + marginally attached workers) divided by employment + unemployment + marginally attached workers.
- <sup>50</sup> KRC: EPI based on the 2005 CPS.
- <sup>51</sup> KRC: EPI based on the 2005 CPS.
- <sup>52</sup> When this estimate was made, Pennsylvania spent \$22.59 per capita compared to the national average of \$7.76. This is the according to the latest available comparison. Department of Community and Economic Development Economic Development Programs: A Performance Audit Report in Response to Act 1996-58, Harrisburg, PA: Legislative Budget and Finance Committee, 2000, 192.
- <sup>53</sup> Projects defined as low-quality if businesses report projected payroll per job below 80 percent of the industry average for the county. David H. Bradley, *Many Pennsylvania Industrial Development Authority Loans Create Low-Quality Jobs*: Harrisburg, PA: Keystone Research Center, 2002.

- <sup>54</sup> Dennis Bellafiore, Stephen Herzenberg, Megan Myer, and Allan Rothrock, *Economic Development Subsidies in Pennsylvania: Do They Fuel Sprawl?*, Harrisburg, PA: Keystone Research Center, 2003, Background paper commissioned by the Brookings Institution Center on Urban and Metropolitan Policy and released in conjunction with Brookings' report *Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania*. Online at [www.keystoneresearchmap.org](http://www.keystoneresearchmap.org).
- <sup>55</sup> Working Poor Families Project.
- <sup>56</sup> For a fuller discussion of next generation state economic development strategy, see Stephen Herzenberg, "Creating Regional Advantage in Appalachia: Towards a Strategic Response to Global to Global Economic Restructuring." Washington, D.C. Appalachian Regional Commission. Keystone Research Center under ARC Contract CO-12884T-01. April 2005. Online at [www.arc.gov](http://www.arc.gov)
- <sup>57</sup> Or other alternatives to traditional fossil fuels, but not nuclear energy.
- <sup>58</sup> Detailed recommendations on disclosure can be found in Bellafiore et al., *Economic Development Subsidies in Pennsylvania: Do They Fuel Sprawl?* and on the website of Good Jobs First, the national clearinghouse for business subsidy accountability ([www.goodjobsfirst.org](http://www.goodjobsfirst.org)).
- <sup>59</sup> Working Poor Families Project, data generated by the Population Reference Bureau from the Current Population Survey, 2005.
- <sup>60</sup> Minnema, Lindsey. "State Boosts Spending on Child Care, Report Says." *The Patriot News*. August 15, 2006. Downloaded from <http://www.pennlive.com>. 20 October 2006.
- <sup>61</sup> Working Poor Families Project, from Schulman and Blank's *National Women's Law Project Brief*, 2004.
- <sup>62</sup> Working Poor Families Project, from Schulman and Blank's *National Women's Law Project Brief*, 2004.
- <sup>63</sup> Working Poor Families Project, data generated by the Population Reference Bureau from the Current Population Survey Annual Social and Economic Supplement, three year-average from 2002-2005.
- <sup>64</sup> Governor Rendell Announces Unprecedented Agreement with the 'Blues' for Commitment to Annual Community Health Reinvestment." February 7, 2005. Available at <http://www.governor.state.pa.us/governor/cwp/view.asp?a=3&q=440142>. Accessed 11/16/06.
- <sup>65</sup> "The State of the Pennsylvania Economy in 2006: The Cost of Health Care for Employers and Employees." *Issues PA*. Online at [www.IssuesPA.net](http://www.IssuesPA.net). 26 September 2006.
- <sup>66</sup> "Annual Report to the State Legislature." PID adultBasic: 2005 Available at [http://www.ins.state.pa.us/ins/lib/ins/chip\\_ab/aB\\_Annual\\_Report\\_2005.doc](http://www.ins.state.pa.us/ins/lib/ins/chip_ab/aB_Annual_Report_2005.doc). Accessed 11/16/06.
- <sup>67</sup> "Testimony of the Pennsylvania Insurance Department." Senate Democratic Policy Committee. Available at [http://www.ins.state.pa.us/ins/lib/ins/chip\\_ab/aB\\_June2004.pdf](http://www.ins.state.pa.us/ins/lib/ins/chip_ab/aB_June2004.pdf). Accessed 11/16/06.
- <sup>68</sup> Working Poor Families Project, data generated from the Office of Workforce Security, Employment and Training Administration, U.S. Department of Labor, 3rd Quarter, 2005.
- <sup>69</sup> Working Poor Families Project. Andrew Stettner, Rebecca Smith, and Rick McHugh. "Changing Workforce, Changing Economy: State Unemployment Insurance Reforms for the 21st Century." New York, NY: National Employment Law Project, 2004. Available at <http://www.nelp.org/docUploads/ChangingWorkforce.pdf>. Accessed 11/16/06.
- <sup>70</sup> Working Poor Families Project. Andrew Stettner, Rebecca Smith, and Rick McHugh. "Changing Workforce, Changing Economy: State Unemployment Insurance Reforms for the 21st Century." New York, NY: National Employment Law Project, 2004. Available at <http://www.nelp.org/docUploads/ChangingWorkforce.pdf>. Accessed 11/16/06.
- <sup>71</sup> Alison Earle, Ph.D., Testimony before Massachusetts Joint Committee on Labor and Workforce Development, May 4, 2005.
- <sup>72</sup> Nicole Costa. "Highlights of the 2000 U.S. Department of Labor Report Balancing the Needs of Families and Employers: Family and Medical Leave Surveys." Washington, D.C.: National Partnership for Women and Families, 2000, p. 5. Available at <http://www.nationalpartnership.org/portals/p3/library/FamilyMedicalLeave/2000DOLLaborReportHighlights.pdf>. Accessed 11/6/2006.
- <sup>73</sup> Working Poor Families Project, from the US Department of Labor.
- <sup>74</sup> McNulty, Eileen. "Testimony before House Finance Committee." 3/22/2006.
- <sup>75</sup> Gregory Fajt. "2004 Personal Income Tax Statistics." Harrisburg, PA: Commonwealth of PA: Department of Revenue, 2004. Available at [http://www.revenue.state.pa.us/revenue/lib/revenue/2004\\_pit\\_stats.pdf](http://www.revenue.state.pa.us/revenue/lib/revenue/2004_pit_stats.pdf), Accessed 8/6/2006.
- <sup>76</sup> Edward Schwartz, Raymond Jones, and Al Taubenberger. "Philadelphia Tax Reform Commission Final Report." Philadelphia, PA: Philadelphia Tax Reform Commission, 2003 Available at [http://www.philadelphiataxreform.org/Volume\\_One\\_Final.pdf](http://www.philadelphiataxreform.org/Volume_One_Final.pdf). Accessed 8/6/2006.
- <sup>77</sup> "Commonwealth of Pennsylvania Budget Sense: Key Issues from the Governor's Office." Harrisburg, PA: Commonwealth of Pennsylvania, 2006. Available at [http://www.cmwf.org/tools/tools\\_show.htm?doc\\_id=235063](http://www.cmwf.org/tools/tools_show.htm?doc_id=235063). Accessed on 28 November 2006.
- <sup>78</sup> For more information on portable insurance, see John C. Goodman, "Employer-Sponsored, Portable, and Personal Health Insurance." *Health Affairs*. Bethesda, MD: Project Hope, 2006, vol. 25, no. 6, p. 1555-1566.
- <sup>79</sup> Working Poor Families Project, from the Center for Policy Alternatives.



# Appendix

## APPENDIX A

### THE 2006 SELF-SUFFICIENCY STANDARD FOR PENNSYLVANIA

*The Self-Sufficiency Standard for Pennsylvania* uses a variety of tools to compile the needs of families living in Pennsylvania. It was developed through Wider Opportunities for Women by Dr. Diana Pearce, and is used in 35 states. It gathers information to determine how much families need to spend on food, shelter, and other necessities in order to survive without relying on government programs.

Instead of creating a single cost of living, the Standard calculates the wages that 70 different family configurations must earn to be self-sufficient in each of Pennsylvania's 67 counties. Below is one sample of Self-Sufficiency Data.

<i>THE SELF-SUFFICIENCY STANDARD FOR ONE ADULT, ONE INFANT, AND ONE PRESCHOOLER</i>				
<u>MONTHLY COSTS</u>	<u>ALLEGHENY COUNTY</u>	<u>DAUPHIN COUNTY</u>	<u>FAYETTE COUNTY</u>	<u>PHILADELPHIA COUNTY</u>
<u>HOUSING</u>	\$770	\$710	\$547	\$800
<u>CHILD CARE</u>	\$1,150	\$1,009	\$947	\$1,211
<u>FOOD</u>	\$394	\$367	\$394	\$437
<u>TRANSPORTATION</u>	\$93	\$231	\$239	\$70
<u>HEALTH CARE</u>	\$221	\$282	\$211	\$282
<u>MISCELLANEOUS</u>	\$263	\$260	\$234	\$280
<u>TAXES</u>	\$722	\$624	\$484	\$869
<u>EARNED INCOME TAX CREDIT</u>	\$0	\$0	-\$48	\$0
<u>CHILD CARE TAX CREDIT</u>	\$-110	\$-115	-\$130	\$-100
<u>CHILD TAX CREDIT</u>	\$-167	\$-167	-\$167	\$-167
<u>SELF-SUFFICIENCY HOURLY WAGE</u>	\$18.95	\$18.18	\$15.41	\$20.92
<u>SELF-SUFFICIENCY YEARLY WAGE</u>	\$40,024	\$38,398	\$32,549	\$44,190

#### **The Standard is different from the Federal Poverty Line.**

The Federal Poverty Line (FPL) sets one standard for almost the entire country based on the number of family members, but not their ages or needs. The FPL for a family of three in 2006, the same family you see above, is \$16,600. In most cases, that number is less than half of what families need to be self-sufficient. The Self-Sufficiency Standard, as described above, uses the average prices found in each county to create a locally-based standard that can be customized to different family types.

#### **The Standard can be used in many ways to help low-income working families.**

Individuals may find the Standard helpful in determining what jobs can help make ends meet or what education is needed to meet future goals.

Organizations can use the Standard to help their clients make the same decisions or to advocate for needed changes in public policy that will help working families meet their needs.

Policy makers can use the Standard to determine what obstacles low-income working families face and how they can be addressed.

The Standard and the Online Self-Sufficiency Budget Worksheet can be found at [www.pathwayspa.org](http://www.pathwayspa.org).

PathWaysPA, 310 Amosland Road, Holmes Pennsylvania 19043 – 610-543-5022

## APPENDIX B

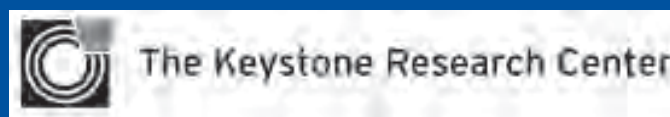
### COMPARING PENNSYLVANIA TO LOCAL STATES

	US	PA	DE	MD	NJ	NY	OH	VA	WV
Percent of all families below 200% of poverty who work (2004 ACS)	70%	67%	71%	70%	70%	66%	66%	69%	62%
Percent of all working families below 200% of poverty (2004 ACS)	28%	25%	24%	17%	16%	27%	27%	22%	35%
Percent of all adults in working families under 200% of poverty (2004 ACS)	27%	23%	22%	16%	16%	26%	25%	21%	32%
Percent of all children in working families under 200% of poverty (2004 ACS)	33%	29%	27%	20%	20%	31%	31%	25%	36%
Percent of all working families below 200% of poverty with at least one minority parent (2004 ACS)	42%	44%	40%	22%	27%	39%	41%	32%	62%
Percent of all working families below 200 percent of poverty where at least one parent has some post-secondary education (2004 ACS)	44%	39%	42%	46%	43%	43%	44%	47%	38%
Percent of all working families below 200 percent of poverty where at least one adult dropped out of high school (2004 ACS)	33%	24%	29%	25%	27%	31%	21%	28%	26%
Percent of all young adults enrolled in postsecondary education (National Center for Public Policy and Higher Education, 2004)	---	38%	31%	36%	37%	38%	34%	30%	30%
Percent of adults at literacy levels below basic & basic (National Institute for Literacy, 1993)	---	48%	44%	45%	48%	50%	45%	47%	56%
Per person allocation for adult education and literacy (U.S. Department of Education, 2003, and Population Reference Bureau, 2004. * Calculations use FY03 expenditures and 2004 numbers.)	\$46.65	\$20.46	\$22.03	\$25.24	\$47.02	\$41.60	\$14.75	\$10.07	\$16.17
Percent of jobs in occupations with median annual pay below 200% of poverty for family of four (May 2004 Occupational Employment Statistics, BLS)	68%	71%	66%	60%	60%	59%	70%	66%	77%
Percent of all workers 18 and over in low-wage jobs (Population Reference Bureau, 2005)	24%	29%	22%	17%	25%	32%	24%	21%	26%
Percent of workers age 18-64 without health insurance (Population Reference Bureau, 2005)	19%	14%	18%	15%	18%	17%	14%	18%	22%

All data courtesy of The Working Poor Families Project



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Centre • Chester • Clarion • Clearfield • Clinton • Columbia  
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